FINANCIAL TIMES
No. 27,460 Monday January 16 1978 ** 15p

CONTINENTAL SELLING PRICES: AUSTRIA Sch.15; BELGIUM Fr.25; DENMARK Kr.3.5; FRANCE Fr.3.0; GERMANY DM2.0; ITALY L.500; NETHERLANDS Fl.2.0; NORWAY Kr.3.5; PORTUGAL Esc.20; SPAIN Ptas.40; SWEDEN Kr.3.25; SWITZERLAND Fr.2.0; EIRE 15p

NEWS SUMMARY

GENERAL

East Berlin bars Kohl

st Germany yesterday barred : head of the West German ristian Democratic opposi- n party from entering East rlin. Herr Helmut Kohl was ld up for an hour by frontier ards at the Friedrichstrasse tion entry point.

He was told by an East German icer that his entry was desirable at the present time. Herr Kohl frequently visits st Berlin privately when he is West Berlin.

Bonn condemned the ban and tructed Herr Guenter Gaus, permanent representative in st Berlin, to take up the case h the East German Foreign nistry.

igrant curbs

nservative leaders are to con- er proposals for enforcing re strict curbs on immigra- n. Page 5

pring poll denial

ospects of a General Election the spring have been dis- ssed by the Prime Minister. ck Page

rearley's break

gland's cricket captain Mike earley broke his left fore-arm a one-day match in Karachi. rkshire's Geoff Boycott takes r. Brearley's Middlesex col- gue Clive Radley, who has n coaching in Australia, flies join England to-day. Page 8

ixon returns

-President Richard Nixon urned to Washington—the t time he has been in the tal since he resigned over the ergate affair—to attend a morial service for Senator bert Humphrey. Obituary, ge 2

iller bombs

known attackers buried two bombs into one of Barcelona's gest dance halls. One person d and two are missing.

uake kills 13

irteen people died in land- ies after an earthquake in an.

K round-up . . .

re Europeans than ever are ected to take holidays in na this year, Thomas Cook, vel agents, said. Page 5

e should be ready to use lear weapons at a much lier stage in a European war, Julian Critchley, Tory MP Aldershot, said in a Bow up paper.

rmer disc jockey Jack Jackson d aged 71.

ar in Bristol is campaigning top a week-long international festival due to be held in summer. "These people are adjusted," he said.

noving children's tonsils costs Health Service £5m. a year there is little evidence the ration does much good, Prof. ald Illingworth, of Sheffield, l.

ter authorities and angling s are spending hundreds of usands of pounds to prevent chers scooping up huge ntities of salmon and ously jeopardising future ks. Patrols are being stepped

t Office's TIM time service consulted more than 365m. es last year.

ice in south London are ting two youths who stabbed leath a 20-year-old man in a kham pub.

BUSINESS

Price control 'bullying' attacked

● PRICE COMMISSION has used highly questionable tactics to bully and coerce companies into withdrawing or modifying price increases, according to Mrs. Sally Oppenheim, Conservative spokes- man on prices. She described the commission as a "Mafia with Star Chamber powers."

She said companies were being forced to put up with the dis- ruption of having "inexperienced and meddlesome investigators" going through their books. In some cases, the commission was asking what could be interpreted as sinister questions on company affairs.

Mrs. Oppenheim said the com- mission was producing an arti- ficial price situation. Eventually, price increases must be passed on or investment cut. Page 5

● SURVEY commissioned by the Consumers' Association showed that most people inter- viewed felt the Government was not coping well with the prob- lems of food prices and electri- city prices. Page 23

Distillers may face new EEC threat

● DISTILLERS' system of using exclusive national distributors to market Johnnie Walker Red Label and Dimple Haig Whisky in the continental EEC countries could be threatened, if it goes ahead with its decision to halt sales of these brands in the U.K. This is the view of lawyers in the EEC Commission, which has already warned Distillers that its response to the recent order prohibiting its dual pricing prac- tices could expose the company to further legal action for breach of the EEC's rules of competi- tion. Back Page

● EEC COMMISSION is likely to offer Britain an improved fisheries quota at talks resuming in Brussels to-day. Back Page

● FRENCH industrialists, includ- ing the heads of power engineer- ing, nuclear contracting, chemical and oil groups, will accompany M. Raymond Barre, the Prime Minister, on his trip to China this week. Page 3

Leyland men try to avert cut in jobs

● LEYLAND shop stewards to- day will urge Mr. Michael Edwardes, the chairman, to adopt an aggressive policy of expanding car sales as an alternative to plans to cut out 10,000 jobs this year. Page 5. New Volkswagen model for U.K., Page 23. Car sales fall in South Africa, Page 3

● POSTAL WORKERS would be allowed to take industrial action to back claims for better wages and conditions under a private member's Bill to be introduced in Parliament next month. The Bill would remove doubts about whether postmen could legally take such action. Page 5

● AUSTRALIA will make a public bond issue of about Yen 50bn. (about £108m.) on the Tokyo capital market next month, as part of its foreign borrowing programme in support of the Australian dollar. Page 2

● SUN LIFE Assurance Com- pany of Canada is delaying a decision on plans to move its headquarters from Montreal, Quebec, to Toronto. Page 2

● CONSORTIUM of financial institutions will put up at least £2.58m. for variable-rate prefer- ence stock in a £3m. fund-raising operation for Frederick H. Burgess, the agricultural equip- ment maker and distributor. Page 20

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Middle East peace talks tomorrow after weekend crisis

BY ROGER MATTHEWS: JERUSALEM, JAN. 15

A crisis which threatened the start of Middle East peace talks in Jerusalem between the Foreign Ministers of Israel, Egypt and the U.S. was averted to-day after a week-end of recrimination and sharp disagreement over the agenda.

The formal opening of the joint political committee will be on Tuesday, 24 hours later than previously fixed.

The Egyptian negotiating team, led by Mr. Mohammed Ibrahim Kamel, the Foreign Minister arrived in Jerusalem tonight after hours of doubt whether President Sadat's anger at Israeli attitudes would impel him to cancel their departure from Cairo.

Mr. Kamel warned on his arrival that negotiations were at a crucial crossroads. "There can be no peace with the continued occupation of land," he said.

Mr. Sadat had said in an interview published in an Egyptian magazine yesterday that he had "absolutely no hope" of an early agreement on peace principles with Israel. "Mr. Begin [Israel's Prime Minister] gave me nothing. It was I who gave him everything. I gave him security and legitimacy, and got nothing in return."

Pressure

Mr. Cyrus Vance, the U.S. Secretary of State, who is to participate in the committee, postponed his departure for Jerusalem last night when the row over the agenda deepened after a flurry of exchanges between Egypt and Israel. He is expected to arrive here to-morrow.

The decision by Mr. Vance was criticised by Israeli officials who suspected that the U.S. was trying to exert pressure on them to bow to Egyptian demands. After a three-hour Cabinet session to-day Mr. Begin announced that an agenda had been accepted for the political committee, and that it was assumed it would be agreeable to Egypt.

The agenda item that once again caused the most serious problems was that relating to the Palestinian Arabs.

It is understood that the Egyptians insisted that the matter be discussed "in all its aspects," a formula that would ensure that the question of Palestinian self-determination was central to the argument.

Mr. Begin has ruled out self-determination for the West Bank of the Jordan and the Gaza Strip, offering instead a form of self-rule. This would be acceptable to Mr. Sadat, but only as an interim step.

In turn this is closely related to the other two agenda items.

First, the broad declaration of principles that the Egyptians and the U.S. feel is imperative if other parties to the conflict are to be drawn into the negotiations.

Second, "the nature of peace," by which Israel wants to ensure that certain decisions are taken, such as open borders, that they believe will help ensure that any peace agreement is solidly based.

It had been intended to discuss the agenda for the political committee during its first meeting, but clearly Mr. Sadat was not satisfied, and Mr. Vance was unwilling to be a party to lengthy procedural haggling that might force him to stay longer in Jerusalem than he intended.

Closer

The sharpness of Mr. Sadat's attack on Mr. Begin in the past 48 hours is sure to have its effect on the talks.

In a reference to his visit to Jerusalem Mr. Sadat said yesterday: "My initiative is not like the King David Hotel which Begin blew up during his youth. He cannot blow up initiatives without blowing himself up and others for hundreds of years."

Senior Egyptian officials, be-

Continued on Back Page
Hard bargaining Page 19

Sir Charles stands firm in BSC finance row

BY ROY HODSON AND PHILIP RAWSTORNE

SIR CHARLES VILLIERS, chairman of the British Steel Corporation, said last night that he will not resign in the row over British Steel's finances, which last year were worsening at a far faster rate than he acknowledged in public or before a Commons Select Committee.

Photographs of internal forecasting documents prepared by British Steel top management last year have been circulated anonymously to newspapers including the Financial Times. An accompanying note in handwritten capitals asks "Confusion or concealment?"

British Steel agrees the documents are genuine copies of a note prepared for the corporation's July 28, 1977 Board meeting by Mr. Bob Scholey, chief executive and deputy chairman.

In it, he warned the Board to expect a "serious worsening" in the annual operating plan deficit from £350m. to £466m.

In a public statement on the corporation's finances on July 19, 1977 Sir Charles said he foresaw 1977-78 losses amounting to something between £150m. and £250m.

Sir Charles said yesterday, he was "amazed" that anyone should have mistaken the serious nature of British Steel's financial situation in the light of what he calls "the dire warnings" he gave last year.

"I am angry rather than dismayed that the situation should have been so misunderstood," he said.

The Department of Industry was shown the annual operating plan forecast of a £350m. loss. The disclosure that both British Steel and the department were, by April last year (the date of the operating plan) privately studying forecasts that the corporation might make a record annual loss of £350m. in the current year has rekindled the row between the Commons all-party Select Committee on Nationalised Industries and the Government.

The committee meets tomorrow. Its chairman, Mr. Russell Kerr, Labour MP for Feltham, some of the members, and the Opposition, are all anxious that the committee should press the Government for more information in the light of the new knowledge about British Steel's deteriorating financial situation last year.

The committee is expected to ask again for full disclosure of all correspondence between Mr. Eric Varley, the Industry Secretary, and British Steel during the crisis months of the deepening world steel slump last year.

Mr. Kerr said last night he was "very disturbed" by the disclosures. "Where there is an area of uncertainty like this and it is possible that key facts are being withheld from the committee appointed by Parliament to establish the facts, then the case for strengthening the committee's powers is, in my view, unanswerable," he said.

A Commons motion calling upon Mr. Varley to give MPs the papers has now been signed by nearly 90 MPs.

Mr. Michael Foot, Leader of the House, last week cold-shouldered the committee's recommendations — when it reported on its inquiry into the British Steel Corporation—that the correspondence should be produced. He insisted that the Government must first reply to the many criticisms made by the committee on the handling of the nationalised steel industry.

The Government is trying to put together a strategy to rescue British Steel that will be acceptable to the corporation management and the unions. It will inevitably involve closing old steelworks and reducing capital investment to stem the corporation's losses—now running at £10m. a week and expected to top £500m. in this financial year.

Sir Charles is meeting Mr. Varley later this week. The future of the corporation and the "leak" of the losses forecast will be discussed.

Members of the select committee are anxious to know why no details of previous contingency planning were given to them during their hearing of evidence from British Steel and Department of Industry witnesses.

One reason being put forward why Mr. Varley, as the sponsoring minister for steel, and Sir Charles, did not publicly state the forecast losses for British Steel, is that neither man believed the forecasts. They were being advised that an upturn in the steel trading cycle could be expected late last year.

Yet the Scholey summary of the financial deterioration of the corporation, as presented to the July Board meeting, contained all the warning signs of a deepening trade slump.

A loss of £71m. over estimates for 1977-78 was likely to be incurred because steel was becoming harder to sell and prices were falling. A provision of an additional loss of £25m. to cover a further decline in sales was included.

Editorial comment and Men and Matters, Page 10

Plans for £200m. synthetic rubber plant abandoned

BY KEVIN DONE, CHEMICALS CORRESPONDENT

BUILDING a £200m.-£250m. synthetic rubber plant, one of the most ambitious schemes ever promoted as part of the Government's industrial strategy, appears to have foundered because of problems over feedstock prices and availability.

The project arose from work by the synthetic rubber sector working party and centred on the construction of a massive plant to produce 300,000 tonnes a year of polyisoprene rubber. The plant was to have been based on the use of North Sea butane gas.

Polyisoprene rubber can act as a direct substitute for natural rubber and the plant was conceived both as a means of cutting natural rubber imports and making industrial use of the abundant natural liquid gas feedstock from the North Sea.

According to the latest report of the petrochemicals sector working party, which is not to be published, the project is not viable because butane cannot be made available at a sufficiently low price.

The main problem is that the price of butane in the U.K. depends on what it would fetch if exported to the U.S. Government policy insists that all North Sea feedstocks should be sold at the world price.

Butane price

The report says that for the project to be economically viable the price of butane must be in the region of $80-$100 a tonne.

Talks had been held between the Government departments concerned and potential feedstock suppliers and the view was that butane could be available for the scheme, "but only at a price of $120 a tonne, thus making it uneconomic."

It adds: "A revival of interest in the plant would depend on a changed longer-term outlook in the U.S. energy market." The availability of butane would also depend on the construction of a North Sea gas-gathering pipeline system, plans for which are being examined by the Department of Energy.

The U.K. imports only about 11,000 tonnes of polyisoprene a year, but supporters of the scheme would aim at replacing a substantial part of the West European natural rubber market with polyisoprene. Demand for natural rubber approached 1m. tonnes in Western Europe last year.

The only country to have sought self-sufficiency in rubber through the manufacture of polyisoprene is the USSR which intends to have 1m. tonnes a year of capacity installed by 1980.

Twelve months ago International Synthetic Rubber signed a four-year £15m. deal with the USSR to import polyisoprene, after a test marketing exercise.

Much of the research work for the U.K. project was carried out by ISR, whose chairman, Mr. Donald Bennett, is also chairman of the synthetic rubber working party.

Steel and power threat to 10% limit

By Christian Tyler, Labour Editor

HIGHLY-PAID white-collar workers in two important public sector undertakings — electricity supply and the steel industry — are preparing an attack on what they consider the dangerous rigidity of Government incomes policy.

Determined to redress the fall in their earnings relative to manual workers over the last two years, management unions in both industries are now pressing for substantial pay increases above the 10 per cent. limit.

Their claims are to be pressed all the harder because manual workers are now able to conclude productivity deals on top of 10 per cent. rises.

Separate

In the British Steel Corporation, leaders of the 12,500-member Steel Industry Management Association decided at the week-end to press not only for a new salary structure, but also for a separate differentials award.

Mr. Robert Muir, the association's general secretary, said overall, SIMA would need between 42 and 47 per cent. to restore its members' position, although it did not expect that all at once.

"There has been an unacceptable erosion of differentials between us and foremen. There must be some on-account payment to adjust that," he said.

SIMA, which is not affiliated to the TUC, has already, like the TUC-affiliated manual unions, rejected the corporation's 6 per cent. offer.

In electricity supply, Mr. John Lyons, general secretary of the Electrical Power Engineers Association, quoted similar figures and warned that unless the Government was prepared to be flexible a "head-on clash" would be unavoidable.

Schemes

Referring to the recent unofficial power station black-outs he said the Government should consider as real the threat of a strike by manual unions.

Miners pay talks may be less worrying this year for Ministers because productivity schemes are already putting cash into miners' pockets.

Resistance to such schemes within the National Union of Mineworkers appears to have virtually collapsed according to the National Coal Board. The result of a ballot in the big Yorkshire area, due to be declared to-day will show a two-to-one vote in favour of bonus payments.

Optimism at Treasury over pay rises

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE LATEST SECRET inflation estimates in Whitehall are more optimistic than last autumn about the likely rise in overall earnings in the current pay round. But the expected increase is still higher than the officially-stated 10 per cent. target.

A rise in average earnings of between 12 and 14 per cent. is now estimated in the year to July. This compares with an earlier projection of an increase of between 14 and 16 per cent.

Less than a fifth of all workers have settled in the current round, and the main test will come in the next few weeks. So it is likely that Mr. Denis Healey, the Chancellor, will want to see rather more evidence of pay deals, as well as other economic developments, before making his main Budget decisions.

Consequently, opinion in the Treasury appears to be strengthening in favour of a Budget Day after rather than before Easter. The most likely dates, depending on the length of the Easter Parliamentary recess, are April 4 or 11, though no decision has yet been taken.

Lower

If present trends continue Mr. Healey is likely to announce substantial income tax cuts in the budget of £2bn. or more, concentrated at the lower end.

The Government is engaged in the rather delicate operation of simultaneously trying to preserve the 10 per cent. limit for present and future wage negotiations, while conceding that an overall earnings outcome of slightly more than this figure should not be seen as a disaster.

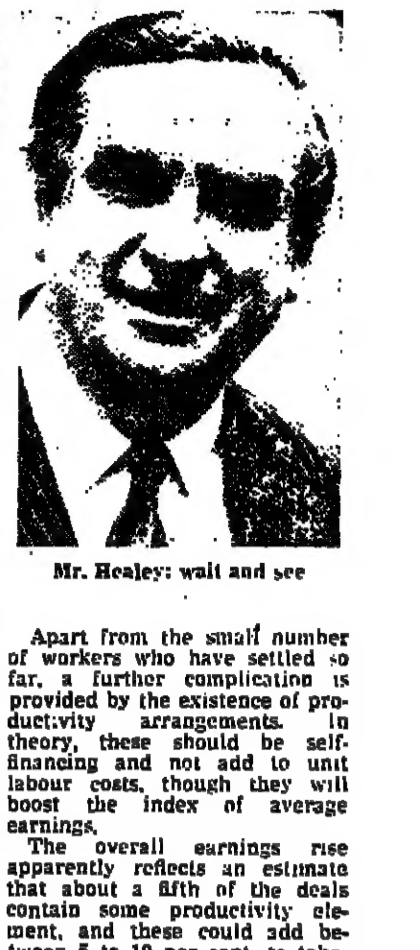
The recent rise in sterling means that even if earnings do increase by about 12 to 14 per cent. in the current round, the 12-month rate of retail price inflation could remain in single figures during 1978.

Mr. Healey's private view has apparently been that the Phase Three pay policy will have been worth having if it produces pay rises nearer to 10 than 15 per cent.

The Chancellor has publicly talked about the policy "holding very well on the whole," with only two large private-sector settlements above 10 per cent. at Ford and Vauxhall.

The present state of guarded official optimism follows the end of the firemen's strike, and several powerful groups, such as the power workers, have still to settle.

The latest pay projection is not a forecast in the conventional sense, but rather a tentative estimate based on the experience since last summer and reflecting considerable uncertainty.



Mr. Healey: wait and see

Apart from the small number of workers who have settled so far, a further complication is provided by the existence of productivity arrangements. In theory, these should be self-financing and not add to unit labour costs, though they will boost the index of average earnings.

The overall earnings rise apparently reflects an estimate that about a fifth of the deals contain some productivity element, and these could add between 5 to 10 per cent. to take-home pay.

This points to quite a small addition to national earnings, though there is also likely to be a boost from drift as workers move between employers or are promoted.

There are also some changes in working hours and fringe benefits.

Established

The main reason why the overall increase in earnings is likely to be above 10 per cent. is that this figure is becoming established as the going rate for basic wage rises. These would have had to be between 5 or 6 per cent. to meet the overall earnings target.

Figures published by the CBI last week indicate that 86 per cent. of 2.6m. workers settling under Phase Three had accepted deals at or below 10 per cent.

The Department of Employment figures at present cover only the first three months of the policy up to the end of October, with the November index due out on Wednesday, and point to an annual rate of increase since July of 11½ per cent.

OVERSEAS NEWS

Sun Life defers decision on moving headquarters

BY ROBERT GIBBENS — MONTREAL, Jan. 15.

THE SUN LIFE Assurance Company of Canada has delayed its decision to move its headquarters from Montreal to Toronto. This was made clear in a statement by President Thomas Galt and Chairman Alastair Campbell, following a special board meeting yesterday.

The directors had met for five hours to reconsider a decision made eight days earlier to move the headquarters. The statement indicated the Board would go ahead with the January 27 policyholder's meeting in Toronto, but the resolution to approve the move of headquarters to Toronto would not be placed before the meeting.

Another policyholders' meeting is planned in about three months, with new proxies, the statement said, at which the resolution would be put. The final decision by management on the actual move could take up to two years, and could be based on conditions in Quebec at the time.

Meanwhile, there would be no major move of personnel from Montreal.

The Sun Life, with $C5bn. assets and worldwide insurance in force of $C31.7bn. at the end of 1976, including $C22bn. in Canada, has nearly 2,000 head office personnel in Montreal.

It had said eight days ago that most of these would be moved to Toronto over a period of years, cited as grounds for the move the restrictiveness of Quebec's new French language charter which prevents Canadians transferring to Quebec from other provinces from having the right to publicly-financed education for their children in the province.

This means, said Sun Life, it could not get sufficient anglophone specialists and managers to maintain the headquarters operation in Montreal efficiently. Mr. Campbell and Mr. Galt had two meetings with Prime Minister Pierre Trudeau and Finance Minister Jean Chretien last week—the last on Thursday evening.

Following this, Mr. Chretien said they had agreed to call another Board meeting on Saturday to reconsider the previous decision to move.

The federal government had earlier made it clear it felt the Sun Life's projected move would have a snowball effect on other companies with headquarters in Montreal, and would play into the hands of the separatist Parti Quebecois government, making the fight for Canadian unity more difficult.

Harmsworth bid for Trib fails

BY JOHN WYLES — NEW YORK, Jan. 15.

ASSOCIATED Newspapers' bid for a controlling stake in the Trib, New York's new morning newspaper, has been turned down largely because of disagreements over editorial control.

Confirming that negotiations are at an end for the time being, Mr. Leonard Saffir, the Trib's publisher and editor-in-chief, said to-day that "Associated's price was OK but what they wanted for it was out of line."

He added: "I have a great respect for David English but this newspaper was not started to give him a job in this country."

This reference to the possible involvement of Mr. English—the editor of Associated's Daily Mail—in the Trib is the only clue Mr. Saffir will give as to Associated's demands on editorial control.

He confirmed that during negotiations last week the Hon. Vere Harmsworth, Chairman of Associated, had sought "in excess of 50 per cent" of the Trib and that the newspaper's proprietors were interested in entertaining new investment because "it would enable us to do certain things we are not doing now, such as expanding to another city and spending more on advertising and promotion."

Mr. Saffir, along with other shareholders whose identities remain undisclosed, has spent approaching $4m launching The Trib. His negotiations with Mr. Harmsworth have aroused considerable speculation about the financial condition of The Trib, which appeared for the first time last Monday.

Mr. Saffir was at pains to stress to-day that his newspaper was financially healthy and "not fur sale." But he also acknowledged that "we don't have a bottomless well of dollar bills," and for this reason had had discussions with Associated and "others who had made approaches."

Mr. Harmsworth is believed to have left New York on Saturday and there is no indication here as to whether Associated has totally abandoned its interest in The Trib. One possibility, of course, is that if the newspaper fails to maintain its objective of a 250,000 daily sale and to build up its advertising, its owners may take a different view of any takeover bid in a month or two's time.

Rift in French 'Majority' consolidated

By David Curry

PARIS, Jan. 15.

AS LEADERS of the "Majority" parties supporting the French coalition Government prepare to meet President Giscard d'Estaing tomorrow, the smaller parties have made it clear that they will not abandon their plan for joint candidates, challenging the Gaullists, in three-quarters of French constituencies.

The Republicans—the President's own party—the Centrists, and the strongly anti-Gaullist Radicals have published a list of 363 joint candidates for the March general election. Around half are Republicans, a quarter Centrists, and some 50 of those so far named, Radicals.

Last week the Gaullists tore up the separate election pact between themselves, the Republicans and the Centrists to present joint candidates in about 120 seats.

They said the decision of the other parties to conclude their own private pact was an anti-Gaullist front. They also noted that the Radicals, who had refused completely to join the earlier pact, proclaiming that they wanted an end to the "Gaullist-organised state," had made no promise to abide by the general rule to consolidate behind one candidate at the second round of voting.

In retaliation the Gaullists to-night announced an initial list of 10 candidates for seats which under the previous agreement would have been left to a Republican or Centrists. In particular they are opposing the Republican chairman M. Jean-Pierre Soisson and three non-Gaullist Government Ministers.

Muzorewa attacks Owen

BY TONY HAWKINS — SALISBURY, Jan. 15.

BISHOP Abel Muzorewa, leader of the United African National Council, this weekend scathingly attacked Dr. David Owen, the British Foreign Secretary, for "meddling" in the current Rhodesian internal settlement talks here, and in doing so highlighted the growing gap between domestic and external nationalist opinion.

The Bishop said he "deplored with contempt" Dr. Owen's efforts to revive the "cold and dead" Anglo-American settlement proposals in what he said was an effort to outflank the talks between Mr. Ian Smith, the Rhodesian Premier, and the three domestic nationalist parties.

He described Dr. Owen's activities as having the "sole purpose" of improving his chances in the coming British general election.

Rhodesian officials also see the British Foreign Office as determined to undermine the internal settlement talks.

The Bishop criticised certain frontline leaders—presumably those of Zambia and Mozambique—and the British government for seeking to deprive the 6.7m. black Rhodesians of their inalienable right to determine their own destiny.

The Bishop said it was important to retain whites in Rhodesia because of their importance to the economy. Other African states, he said—in a clear reference to Zambia—had to beg for "bread and salt" as a consequence of their "wild economic policies."

The Bishop's statement has been welcomed by white political leaders here despite his warning that progress in the internal settlement talks had been "far too slow."

His remarks are clearly intended to embarrass Britain and place Britain in the position of siding with the guerillas of the Patriotic Front, lead by Mr. Joshua Nkomo and Mr. Robert Mugabe.

They follow statements last week both by Lord Carver, Britain's Resident Commissioner-designate for Rhodesia, and a Foreign Office spokesman, warning that any agreement that did not encompass the Patriotic Front would be unacceptable internationally.

Ethiopia rejects peace call

ETHIOPIA last night rejected President Carter's appeal for peace talks to end the bitter dispute with Somalia over the Ogaden region and demanded that Somali forces withdraw immediately.

In a toughly worded statement, the Foreign Ministry also warned that Ethiopian-American relations might suffer. "If the U.S. Government continues its policy of interference and support for the Somali aggressors, such an irresponsible act will inevitably force Ethiopia to reconsider the framework of her relationship with the American Government," it said.

On Saturday the Somali embassy in London called on African countries to mediate and said it was ready to hold talks with Ethiopia.

In yesterday's statement, the Ethiopian Foreign Ministry accused the Somalis of "wanton and unprovoked aggression." It said the U.S. Administration had encouraged them and thereby shared responsibility.

Reuter

UPI reports from Tehran: Saudi Foreign Minister Prince Saud al Faisal on Sunday warned Ethiopia that Saudi Arabia would certainly help defend Somalia "if its borders were violated by foreign powers."

Australia to make yen bond issue

BY KENNETH RANDALL

CANBERRA, Jan. 15.

AUSTRALIA is to make a pub[…] bond issue of about Yen50[…] (about £108m.) on the Tok[…] capital market next month […] part of its continuing $A1,700[…] (£1,019m.) foreign borrowi[…] programme in support of […] Australian dollar.

The Treasurer, Mr. Jo[…] Howard, announced yesterd[…] that the Government had filed […] registration statement for […] issue with the Japanese Finan[…] Ministry. The final amount […] the issue will be determin[…] closer to the event, but M[…] Howard said it was not expect[…] to exceed Y50bn.

The Nomura Securities Co[…]pany will be managing unde[…]writer for the issue, with t[…] Bank of Tokyo as lead co[…]missioned bank.

Australia placed its name […] the queue of potential ye[…] borrowers last September wh[…] the defensive borrowing pr[…]gramme was announced by th[…] former Treasurer, Mr. Phill[…] Lynch.

Mr. Howard reaffirmed […] yesterday's statement that th[…] Government would not hesitat[…] to extend the overall programm[…] beyond the planned $A1,700m. […] necessary.

The point is given particula[…] relevance by the release o[…] Friday of official figures showi[…] an apparent private capital ou[…]flow in December of $A202m.—the largest in three months.

It was the September outflo[…] of $A381m. which prompted th[…] announcement of the foreig[…] borrowing programme. Th[…] December figure is on a par wit[…] those which, over two critica[…] months, led to the 17.5 per cen[…] devaluation in November, 1976.

Government officials are claim[…]ing privately that there are sign[…] of the capital flow turnin[…] around in January, but th[…] Opposition has seized on th[…] latest figures to claim that th[…] business community has lost al[…] confidence in the Government[…] handling of the economy.

Cambodians hit back in border war

By Richard Nations

BANGKOK, Jan. 15.

FIGHTING IN the month-ol[…] Cambodia-Vietnam border wa[…] renewed over the week-end, wi[…] Khmer forces appearing to infl[…] a number of sharp—if isolated—setbacks against Vietname[…] troop positions in the Parro[…] Beak area and Kampot provinc[…]—the chief arenas of conflict.

Intelligence reports appear t[…] indicate that after initial defea[…] the Khmer forces have regroupe[…] behind Vietnamese lines an[…] launched counter-attacks fro[…] the rear. Vietnamese troops hav[…] been ordered to take toug[…] retaliatory measures, accordin[…] to field radio monitoring reports.

Meanwhile the official Viet[…]namese newsagency over th[…] week-end released a detailed lis[…] of Khmer border intrusions between January 4 and January 11. In the most serious of these the agency claimed, two regiments of Khmer troops penetrated four kilometres into An Giang provinces in Vietnam's Mekong Delta area.

Analysts here read these reports as further indication that Khmer forces are actively harassing Vietnamese troops along the border, and have not been as thoroughly crushed by Vietnam's eight division invasion force, as had been thought.

However, diplomats here also feel the reports could signal Hanoi's intention to extend its military campaign in Cambodia after a quiet week consolidating its forward line west of the Mekong.

Obituary: HUBERT HUMPHREY

The spirit of a simpler age

BY JUREK MARTIN IN WASHINGTON

HUBERT HORATIO Humphrey must have had one consolation during the last months of his life as he battled vainly with the inroads of cancer. This was that much more than any contemporary in a long political life, much more certainly than his two principal nemeses, Lyndon Johnson and Richard Nixon, he had genuinely and unreservedly won the affection of the American people.

In the end this reflected a personality that was able to transcend policies and politicians. For while Hubert Humphrey may not have been always a wise man, he was without question good and decent, motivated by honourable intentions and real compassion, personally above reproach and not given to displays of rancour. These are qualities that have seemed more prized than ever to a country which, over the last decade has come to look on its leaders with a justifiably cynical eye and which perceived in Senator Humphrey the nobler spirit of a less complex age. The extraordinary public acclaim that marked the months before his death on Friday night at the age of 66 was both unprecedented and heartfelt.

The great unresolved question, however, must remain whether the former Vice President and long time Senator from Minnesota would have made a good Chief Executive. Few men have ever wanted the Presidency so much and few have ever run for it so often—seven times, in all, from a first "favourite son" candidacy back in 1952 to a fleeting last abortive "draft" movement in 1976.

If the question had been posed before he became Vice President in 1965, there would be fewer doubters than to-day. The pre-Vietnam Humphrey was an articulate and extremely effective champion of the under-privileged. Growing up in the Depression, a small town chemist who became at the end of the war a crusading young mayor of Minneapolis, in the Senate he was appreciably ahead of his time, the architect of much valuable social legislation.

Silenced

But Vietnam and Lyndon Johnson together undermined public credibility in Mr. Humphrey's judgment. An early opponent of the escalation of American involvement in Vietnam, he was ruthlessly silenced by President Johnson and then crudely turned, uncomplaining, into the Administration's leading cheerleader for the war effort. His considerable liberal constituency, which could still have put him in the White House, wondered how a man in whom so much confidence was placed could be so easily used and abused, and never again re-formed behind him.

None the less, in 1968, simply by dint of his matchless energy and enthusiasm, Hubert Humphrey nearly pulled off what would have been one of the most remarkable come-from-behind victories in Presidential political history. The compromise choice of an impoverished, bitterly divided party, whose bright star, Robert Kennedy, had been extinguished by a bullet and whose liberal wing had taken off on an anti-war pilgrimage behind another Minnesotan, Eugene McCarthy, and up against a coldly professional, amply funded Republican organisation under Richard Nixon, the "happy warrior" nearly pulled it off. His stump oratory, garrulous, all promising yet ultimately humane, had never been put to finer use.

The later bids for national office were less glorious. In 1972, he led a last ditch establishment attempt to deny the nomination to an old friend and protege, George McGovern. It was not an honourable performance and nor was that in 1976 when he wavered this way and that over entering the race or brokering the convention as a means of stopping Jimmy Carter.

There was a still more bitter pill to follow at the end of 1976 when his Senate Democratic colleagues preferred Robert Byrd, a man whose record paled into insignificance in comparison, as their majority leader. Politics, it must have seemed then, was an unkind business, made only less cruel when the Senate voted to create a special post for Mr. Humphrey.

Legacy

In the very end, after memorial ceremonies in Washington to-day fit for the Presidency he never attained, the enduring legacy of Hubert Humphrey seems clearer. It is one of hope, zest for life and genuine belief in the inherent goodness of mankind. He surely would have appreciated the fact that the crowds which filed past his casket, as it lay under the dome of the Capitol, represented a true cross-section of America—Blacks, old and young, working people and the high and mighty—all of whom, in some way, had been touched by a very remarkable public servant.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription $300.00 (air freight) $360.00 (air mail) per annum. Second class postage paid at New York, N.Y.

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WORLD TRADE NEWS

Industrialists to go with Barre on China visit

BY DAVID CURRY

PARIS, Jan. 15.

THE HEADS of some of France's most important power engineering, nuclear contracting, chemical and oil groups will accompany M. Raymond Barre, the Prime Minister, on his China trip, which starts on Thursday.

They include the chairmen of the non-nuclear power engineering group, Alsthom-Atlantique; the energy specialist consultancy, Technip; the chemical and petrochemical process plant constructor, Speichim; the Rhone-Poulenc chemicals group; the nuclear contractor, Creusot-Loire; and Elf-Aquitaine oil group, which recently won the prospecting franchise to seek oil off Vietnam.

Other members of the delegation include senior Industry Ministry officials covering, in particular, the energy and colour television fields.

Within the past few months, senior military and civil Chinese missions have visited France, and it is thought that the signing of at least a nucleus of a substantial contract has been reserved for M. Barre's visit. The composition of the accompanying industrialists reflects Chinese preferences.

Alsthom and Creusot-Loire are negotiating to supply a PWR nuclear reactor of about 250 megawatts (for which U.S. clearance will be necessary, since the technology was developed by Westinghouse), while Alsthom is interested in supplying a 600 megawatt coal-fired power station.

Technip is talking about providing spares for chemical plants, while Speichim is also discussing the supply of spares for a petro-chemical complex it has engineered. The main interest of Heurtey is in a Frs.500m. contract for two plastic plants.

In addition, plans are likely to be made for a machine tool seminar to take place in the spring.

The Chinese are thought to be interested in certain sectors not represented on the mission, including transport material and possibly aerospace equipment.

Chinese Vice-Premier Teng Hsiao-Ping is to visit Burma and Nepal, an official Chinese spokesman has confirmed. It is believed he will do so around the end of January. This trip will be his first abroad since he visited a United Nations special session in New York and then Paris in April, 1974, Reuter reports from Peking.

France has asserted the independence of her nuclear exporting policy. Referring to the sale of a research reactor to Iraq, about which the U.S. has confirmed its misgivings, the French Foreign Office has declared: "We have no intention of consulting anyone on the principle and specifications of our export of nuclear material."

However, the statement noted that the safeguards agreed with Iraq were in full conformity with the principles enunciated by the nuclear exporters' club in the London agreement. This reflects France's insistence that she will impose unilateral conditions on her nuclear sales which will be as severe as those set by other nuclear exporters *multilaterally*.

*

China is to speed up its harbour construction programme this year to meet the needs of economic development and foreign trade the New China News Agency (NCNA) reported to-day.

It said 19 new deep-water berths for vessels over 10,000 tons had gone into use along the China coast in 1977. Emphasis had been placed on improving the three major sea *ports of Shanghai, Tientsin and* Canton, on large deep-water berths and on mechanised and automated loading and unloading procedures.

Australia increases some duties

By Kenneth Randall

CANBERRA, Jan. 15.

AUSTRALIA is imposing higher import duties on travel goods and fork lift trucks following an inquiry into claims that rising imports were disrupting local production. Imports of travel *goods in 1976-77 were valued at* more than $A16m. and fork lift truck imports were at about the same level.

The present 34 per cent. duty on most types of luggage will be raised to 55 per cent., except for imports from New Zealand and Papua New Guinea, which will continue to be duty free, and from developing countries, which will maintain their present margins of preference.

The higher rates will apply for 18 months in line with a recommendation by the government's Temporary Assistance Authority (TAA) that a smaller, restructured local industry could emerge within that time, given greater interim protection.

In the case of fork-lift trucks, the higher protection for local producers is intended to maintain their market share pending more detailed study of their long-term prospects. It, too, will apply for 18 months.

The assistance will take the form of a specific duty of $A2,500 *per vehicle for work trucks with* lifting capacity of more than 1,500 kg but less than 4,000 kg. Present rates are either 30 per cent. or $A800 in most cases.

Commission payments threaten Westinghouse Philippines order

BY JOHN WYLES

NEW YORK, Jan. 15.

WESTINGHOUSE ELECTRIC'S $1.1bn. contract to build a nuclear power plant in the Philippines may be in jeopardy because of payments the company allegedly made to a close friend and relation by marriage to the President, Ferdinand Marcos.

The New York Times reports this morning that President Marcos has announced that he is considering cancelling the American corporation's contract because of commission paid to Mr. Herminio T. Disini, who is married to a cousin of the President's wife, Imelda.

Westinghouse has reportedly acknowledged making the payments "for assistance in obtaining the contract and for implementation services." The New York Times quotes banking sources who variously estimate Mr. Disini's fee at $5m. or $35m.

According to the newspaper story, the Presidential committee, which was to make a decision on the contract in 1974, was leaning towards a General Electric proposal for building two 600 megawatt reactors for a total of $700m. However, says the New York Times, the decision went in favour of Westinghouse, which priced the two reactors at $1.2bn. in March, 1975, and then later in the year changed the project's cost to $1.1bn. for just one reactor.

Mr. Disini allegedly acquired Asia Industries, the Westinghouse distributorship in the Philippines—June, 1974, and was also the owner of a small insurance company which wrote the $668m. policy on the nuclear plant, the largest ever written in the Philippines.

Although construction work on the reactor has been under way since 1976 the New York Times quotes President Marcos in its story written from Manila saying that if lawyers conclude that Westinghouse has committed an illegal act, then the possibility of making a payment for work completed, and then cancelling the contract and giving it to another company would be considered.

Slump in S. African car sales

BY BERNARD SIMON

JOHANNESBURG, Jan. 15.

MOTOR CAR sales in South Africa last year were at their lowest level since 1968, and commercial vehicle sales the lowest since 1969.

According to the National Association of Automobile Manufacturers (NAAMSA), 166,764 passenger cars were sold during 1977, almost 10 per cent. below the 1976 figure of 185,132 units. *Truck sales totalled 90,032 units,* compared with 115,116 in 1976. It is estimated that the South African motor industry lost R45m.-50m. during 1977.

Thanks partly to the introduction of a popular new Cortina model, Ford was the most successful of the country's 13 major motor manufacturers, capturing about one-fifth of the passenger car market.

Other leading car makers were Datsun, Toyota, Volkswagen and Sigma (whose Mazdas accounted for 14 per cent. of total sales in December 1977, compared with less than 8 per cent. in January).

Toyota (with sales of 18,943 units) was the leading commercial vehicle manufacturer, followed closely by Datsun.

Mr. Noel Phillips, the president of NAAMSA, said yesterday that he expects a small increase in sales this year as a result of an improvement in general economic conditions and the introduction of several new models. Most observers predict that 175 to 180,000 cars will be *sold in 1978.* However, Mr. Chris Griffiths, the chairman of Sigma Motor Corporation, said: "We do not foresee any growth in the light commercial field."

U.S. Soviet trade study

WASHINGTON, Jan. 15.

THE INTERNATIONAL Trade Commission (ITC) said it will investigate U.S. trade with the Soviet Union, AP-DJ reports.

The fact-finding inquiry will examine past trends, recent developments and future prospects for U.S. exports to the Russians.

The ITC said it decided to *undertake the inquiry in the* light of recent data indicating that the growth of U.S. exports to the Soviet Union "has begun to level off," following a period of relatively rapid expansion. It also appears, the ITC said, that the U.S. "favourable balance of trade" with the Soviet Union has begun to slip.

Among other things, ITC said it will consider various U.S. restrictions on trade and credit, the impact of Soviet state planning on Russian trade patterns, and Russian agricultural developments, including Soviet grain imports.

● Labour MP Mr. Gwilyn Roberts is to ask British Trade Secretary Mr. Edmund Dell in the Commons this week what plans he has for amending an "embargo list" of goods and technical services which British exporters are not allowed to supply to Warsaw Pact countries. Mr. Roberts claims that exporters are being "stifled" by the list which he describes as "an absurd survival from the cold war." The list, he said, includes items in the electronics fields as well as tin cans and hundreds of other items.

$200m. Saudi hotels deal

TURNER INTERNATIONAL Industries, a subsidiary of Turner Construction, has been awarded a contract for construction of three de luxe Hilton hotels and related convention and resort facilities in Saudi Arabia. The total value of the contract is in excess of $200m. AP-DJ reports from New York.

The overall project will be constructed in three phases with the first phase commencing in January 1978 and completion of all three phases expected by December 1980. Owner of the hotel is the Real Estate Development Company—Redco—of Riyadh with Hilton International as operator.

● Biwater Shellabear Group has been awarded three water treatment and supply contracts by the Nigerian Ministry of Defence in Lagos for the army barracks at Bukuba Jos, Takum in Gongola State and Makurdi in Benue State worth a total of £3.89m. The Biwater Treatment Division has also received a similar contract direct from a Nigerian contractor for the Auchi army camp water supply valued at £1.68m.

● Creusot-Loire Enterprises had been awarded a contract by Unicafe, an Ivory Coast coffee producer, to set up five turn-key plants for shelling coffee beans which will have a total handling capacity of 100,000 tons a year and are expected to be completed by the end of this year.

● *Life* Flour Mills of Nigeria have placed a further contract with Henry Simon, a Simon Engineering company, for a new flour mill in Sapele which will have a capacity of 240 tonnes of wheat per 24 hours.

● GEC Marine and Industrial Gears has secured an order for the supply of eight twin-input, single-output, main propulsion gearboxes for installation in the four twin-screw support vessels placed at Yarrow Shipbuilders by the Imperial Iranian Navy.

● Nippon Electric has been awarded a contract valued at the equivalent of $5.6m. by the Greek state-owned telecommunications company to supply a 2,000-channel international telephone exchange which will be in operation by May 1979.

● Newman Electric Motors reports new stock orders from Saudi Arabia and Iran totalling more than £227,000.

● Czechoslovakia has signed an agreement to give Burma a $140m. loan to buy Czechoslovak machinery and equipment for the manufacture of tractor parts, tyres and diesel pumps.

OTHER OVERSEAS NEWS

Cyprus leaders meet

The leaders of the two divided communities of Cyprus, long regarded as implacable political enemies, met for the first time yesterday at a luncheon given by UN Secretary-General Kurt Waldheim, Reuter reports from Nicosia. President Spyros Kyprianou, leader of the Greek-Cypriot majority on the island, and Turkish-Cypriot leader Rauf Denktash met at the headquarters of the UN peace-keeping force at Nicosia airport.

Jamaica devalues dollar by 10%

The Jamaican dollar has been devalued by 10 per cent. because of the country's failure to meet the conditions of an agreement negotiated last year with the International Monetary Fund, Canute James writes from Kingston. Under the agreement, Jamaica was eligible to borrow $74m. in several tranches over a two-year period. The first drawing of $22m. was made on October 10, but the second, scheduled for December 15, was not made because the island could not achieve the requirements of the domestic asset tests.

Mediterranean clean-up talks fail

Seventeen countries failed at the week-end to agree on action to halt the mass flow of untreated sewage and industrial waste into the Mediterranean. Reuter reports from Monte Carlo that officials said two major issues were behind the conference's failure. One was the high cost of cleaning up the thousands of factories and sewage plants which foul the sea. This was estimated to be $5bn. over a 10 to 20-year *period. The other was the fear* of developing countries in the southern Mediterranean that they were being forced to accept restrictions which could delay their economic development.

Airlines disagree

A meeting of the world's major transatlantic airlines, trying to agree on common low-cost fares, broke up on Saturday without agreement, writes Reuter from Geneva. A spokesman for the International Air Transport Association (IATA), to which the 37 airlines belong, said they had failed to reach any basis for agreement on a common fare structure between the U.S. and Europe. The delegates decided to recess their talks until a date not yet decided, the spokesman said.

Zia names advisers

Pakistan's military ruler, General Mohammad Zia ul-Haq, has formed a 16-member council of advisers to function as his cabinet to assist in the administration of the country, reports UPI from Rawalpindi. All advisers—11 civilians and five from the military—have the rank of federal ministers.

Portuguese deadline

Portuguese President Eanes has given caretaker Prime Minister Soares until Wednesday to obtain a political pact enabling him to form a government, writes Dianna Smith from Lisbon. Having recovered from the severe attack of flu which kept him bedridden last week and delayed political negotiations, Sr. Soares must now make a final attempt to woo the powerful Communists back to the bargaining table, since President Eanes appears adamant that a new government must have the broadest parliamentary consensus possible so as to avoid political polarization.

Indonesia graft

Indonesia's anti-corruption squads apprehended about 1,400 people during the last three months of 1977 in a campaign against graft and bribery in Government and administration, the Government said. Reuter reports that Administrative Reform Minister Johannes Sumarlin announced the figures after recent criticism of the Government by students and sec*tions of the Moslem community* who said the campaign was petering out without touching important figures.

Peru austerity moves

Peruvian Economy and Finance Minister Alcibiades Saenz Barsallo has announced a fresh package of tough austerity measures aimed at cutting the country's balance of payment deficit and at reducing the rate of inflation, writes Reuter from Lima.

World Economic Indicators

RETAIL PRICE INDICES

	Dec. '77	Nov. '77	Oct. '77	Dec. '76	% change over earlier	Index base year
W. Germany	142.7	142.3	142.1	138.0	+ 3.4	1970=100
Holland	185.3	185.4	185.0	175.8	+ 5.4	1969=100
Italy	124.7	124.1	122.3	108.5	+14.9	1976=100
	Nov. '77	Oct. '77	Sept. '77	Nov. '76		
U.K.	187.4	186.5	185.7	165.8	+13.0	1974=100
France	188.9	188.2	186.7	173.2	+ 9.1	1970=100
U.S.	185.4	184.5	183.3	173.3	+ 6.9	1967=100
	Sept. '77	Aug. '77	July '77	Sept. '76		
Belgium	124.05	123.78	122.79	116.46	+ 6.5	1975=100

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PROCESSING

Improved powder adhesion

DEVELOPED by Yorkshire Switchgear and Engineering Company for Aerostyle on a multigun automatic electrostatic powder plant installed in Leeds by Aerostyle, the Positive Earth system is claimed to overcome possible loss of earth continuity through the conveyor used to take components through a powder coating plant.

In an electrostatic finishing plant, it is vital to ensure that electrical resistances are minimised to prevent the reduction of the earth continuity between the articles being coated and the natural earth of the conveyor steelwork.

Although the structural steel and track sections of motorised monorail conveying systems usually provide adequate earthing, the high temperature greases sealed into the ball races of the wheels and the accumulation of lubricants applied automatically can introduce electrical resistivity.

Positive Earth ensures that good electrical contact is maintained between the work piece jigs and a "true" earth and has been shown to provide enhanced electrostatic attraction of the charged powder particles to the workpieces suspended on the jigs and thus maintain an earth continuity independent of the conveyor chain.

This improvement in electrostatic technique is incorporated as standard on Aerostyle electrostatic products.

Aerostyle, Sunbeam Road, London NW10 6JT. 01-965 3464.

High purity water units

FULLY automatic, a multi-stream demineralisation plant is being supplied for the new Aycliff, Co. Durham, polyvinyl chloride manufacturing unit of British Industrial Plastics, member of the Turner Newall Group.

The order was received by Advanced Water Services from the main contractor on the pvc project, Crawford and Russell International, who specified the parameters of this packaged water demineralising plant, with its bulk chemical handling facilities followed by vacuum deaeration.

High purity water produced by the treatment process has a conductivity of under one micromho and an oxygen content less than one ppm, operating continuously at 29 cubic metres per hour.

The units are supplied erected to speed installation and are two-bed plants consisting of cation and anion exchange columns in series.

Further information on the plant supplied from Advanced Water Services, St. John's Industrial Estate, Tylers Green, High Wycombe, Bucks. Penn (049 481) 5151.

● SERVICES

Converts TV line standards

THE FIRST DICE (digital standards converter) to be purchased by a privately owned company, specifically for use in the non-broadcast field, has been delivered by Marconi to Audio and Video.

DICE, for which Marconi Communication Systems has the world-wide manufacturing and marketing rights, was designed by engineers of the U.K. Independent Broadcasting Authority.

Technically advanced, in its basic form it will convert 625-line PAL and SECAM colour television pictures to the 525-line NTSC standards used in the U.S., Canada, Central and South America and Japan, and vice-versa.

A number of different types of standard converters have been developed over the years but DICE is the first to use digital techniques throughout to eliminate the need for careful alignment and to provide conversion without perceptible picture impairment.

Audio and Video has gained experience of DICE over the past two years by sub-contracting time on the only other unit in the U.K., that owned by ITN and made by the IBA.

It intends to offer a service whereby standards conversion will be within reach of every video user, and will become part of normal production budgeting, thus enabling users to have a set of masters in each television standard for world wide distribution of their products.

Audio and Video, 48 Charlotte Street, London, W1P 1LX. 01-580 7161.

● ENERGY

Europe's largest aerogenerator

BIGGEST power generating windmill in Europe, a 30kW unit built by private enterprise at Aldborough, North Yorkshire, is feeding power to the local section of the national grid.

Designed away from the more fanciful concepts of North American aerogenerators with their troposkein (eggwhisk) blades which are hard and expensive to make, the windmill is intended to demonstrate that power can be generated in this way at costs comparable to diesel-electric sets, that is in the region of installation costs of some £100 per kW.

Yet nothing has been sacrificed in the design that might have reduced the strength of the equipment. The three blades, which sweep a diameter of 17 metres, are linked by struts which reduced bending stresses considerably both longitudinally and in the plane of the blades.

Extreme simplicity is also achieved by using hydraulic drive to eliminate complex and expensive shafts and gearing.

The air turbine runs at a constant wind speed/tip speed ratio and is very quiet in operation. It is of fixed pitch construction and is strong enough to be stopped when wind conditions demand without need to feather.

The power output mentioned above is in wind speeds of 6.5 metres/second and it is generated at 440V, three phase, 50 cycles in phase with the local 11 kV grid system.

Apart from this type of design, the builders would eventually be prepared to set up windmills of the same dimensions, but providing power through step-up gearbox and alternator for private owners, primarily for use in heating systems, which would be the simplest way of employing a feed which varies in voltage and frequency with wind speeds. Outputs of 70 to 80 kW at wind speed of 11 metres/second would be provided.

Sir Henry Lawson-Tancred, whose idea this simple robust design originally was, and who had most of the windmill's components made by the local blacksmith, claims that it would be a simple matter to scale up the design to significant power output.

For a fourfold increase in windmill size to a blade swept diameter of some 68 metres, output would go up to a respectable 1.5MW at wind speeds of 11 metres/second. It is on the drawing board and with luck could be operational by 1980.

It would produce grid power as cheaply as conventional sources and would be no more unsightly than the towers of the U.K. supergrid.

The hydraulic drive and the link to the existing power system are the essentials of the unit, the latter solving most of the problems of energy storage and of channelling the power generated to areas where windmills cannot be set up, either because of population density or because average wind speeds are too low.

Applied in this way, batteries of aerogenerators could become a precious adjunct to the power grid, allowing the supply industry to save large amounts of fuel.

More on the design of the existing unit and the planning of the larger system from Sir Henry Lawson-Tancred Sons and Co., Aldborough Manor, Boroughbridge, N. Yorks, WO5 9EP. 090 12 2716.

● MACHINE TOOLS

Working to safe rules

IT IS NOT always practical to apply the principles described in BS 5304—Code of Practice for Safeguarding of Machinery—to the entire work area of certain machinery and some types of machine tools. The industrial safety committee of the Machine Tool Trades Association has prepared a code of practice for safeguarding sawing and cutting-off machines, which is to be the first of a series of codes devoted to specific safety aspects.

This MTTA work results from extensive research into available statistics together with an examination of the nature and cause of accidents attributable to contact with saw blades. The work supplements both British Standard 5304 and statutory regulations applicable to metal cutting machine tools: is primarily intended for use in connection with ferrous and non-ferrous workpieces, although the code has applications to other materials.

The publication contains information concerning design, construction and the application of safeguards. It is intended to assist all those connected with and responsible for safety, from senior management down to the machine operator.

MTTA on 01-402 6674.

● NORTH SEA OIL

Abrasives under water

FOLLOWING extensive underwater trials, F. A. Hughes has perfected a method of introducing abrasives to its high pressure water jet-stream to tackle corrosion, fouling and tough coatings used on underwater structures and bring to light critical welds for inspection at depths—so far—down to 200 ft.

Inspection of highly-stressed node areas is vital if fatigue failures are to be avoided. Further developments continue for tackling the problem at greater depths and patents have been applied for.

The secret lies in transporting abrasive or other particles of the correct grade down to the divers' gun.

This new tool will greatly speed up the exposure of weld areas to bright metal finish and is a significant step towards increased safety under the tough conditions experienced in the North Sea.

The module has a pneumatically-operated section which controls the feed of abrasive particles to the divers' gun, and a separate section for bulk storage. The arrangement ensures that continuous feed is maintained during replenishment of the hoppers.

● SHIPPING

Ice-breaking at high speeds

CANADA'S shipping authorities, have successfully investigated and applied low-speed (6 knots) breaking of ice as much as two feet thick, using a hovercraft ahead of an icebreaker to insufflate air under the ice and leave it to break under its own weight.

Almost by chance they have also found that if a hovercraft is run across an icefield at a high speed—say 20 to 30 knots—the thrust on the surface of the ice sets up a steep bow wave which has the effect of shattering the ice layers in a broad path behind the hovercraft. It can thus "clear" 18 square kilometres of ice-bound waters in up to two hours, a task that would take a whole day for a conventional breaker, but demands a mere fraction of the fuel that otherwise would have been consumed.

The unit used was a Bell Voyageur 100, though Britain pioneered the hovercraft idea and has supplied a number of such craft for use in Canada.

But there clearly is a market for more hovercraft from Britain for use in Baltic waters, to keep sea lanes open as long as possible or open them up earlier in the year. The same applies to the North Russian coasts and rivers though conditions there may often be too severe.

Canada's National Council is involved in the work described above.

More from Science Dimension, CNRC, Ottawa K1A OR6, Canada.

● MATERIALS

Phosphates cold steel

TWO NEW zinc phosphate powders have been introduced by the Jenolite division of Duckhams Oil. In solution, they can be applied at room temperature (20 to 25 degrees C) instead of the 60 to 80 degrees hot solution normally required for phosphating.

Price is stated to be comparable with the hot solution, but there is no fuel cost for heating water.

One of the versions is applied by spray at 2 per cent. by volume concentration, and the other by immersion at 5 per cent. by volume. Both are intended principally for phosphating cold rolled steel. The steel can be degreased with the range of Jenolite emulsion or alkaline types, or solvent vapour degreasing can be used.

Coating weights up to five grammes/square metre are deposited.

More from the maker at Rusham Road, Egham, Surrey (Egham 5456).

● COMPUTERS

Biggest NCR machine

NCR has released two of its top-of-the-line computer systems, the Criterion V-8580 and V-8590, most powerful machines yet introduced by the company, which announced their development in the middle of 1977.

The new units provide a growth path for users of NCR equipment. Programs now in use on smaller machines can be operated on the new systems without an expensive and time-consuming conversion.

V-8590 has about twice the power of the V-8570, formerly the largest computer in the 8000 series. The V-8580 is about one third more powerful than the V-8570.

NCR proposes to introduce a still larger computer family, the V-8600 in 1978. The V-8600 models will be large-scale multiprocessors and will be NCR's first venture into the very large systems field.

More from the company on 01-723 7070.

A new family of low-cost conversational computers, mainly for smaller organisations with little or no background in electronic data processing, has also been released by NCR.

The I-8130 and the I-8150 systems have COBOL orientation and a high degree of interactivity—so that files are up-to-date to the last transaction. There is full upward compatibility with larger members of NCR's 8000 series. Programs written for the I-8100 can be run on the larger I-8200 family and on the still larger I-8400 systems without the need for conversion.

Requiring no air-conditioning or special treatment, the I-8130 and I-8150 can be installed in any normal office environment, and operators can actually teach themselves how to use the equipment.

Special features include: ledger printing capability, protection against power failure; and a larger character, easy-to-read visual display.

● INSTRUMENTS

Detects gas dangers

HYDROGEN SULPHIDE is a dangerous gas encountered in a number of industries. It can be detected by smell (rotten eggs) at least one part per million (0.0001 per cent.) but this is not a satisfactory method as when the concentration reaches 100 ppm the sense of of smell becomes insensitive in three to 15 minutes.

To detect the gas at its lowest concentrations, General Monitors has introduced a single channel continuous sensor. This has a linear scaled meter calibrated in ppm, and is available in ranges 0-20, 0-50 and 0-100 ppm. The unit includes high and low visual alarm status indicators and relay contacts for remote alarm.

It operates on a change of electrical resistance when exposed to the gas, and is unaffected by other gases.

Details from General Monitors U.K., Oxford Street, Manchester M1 5AU (061-228 3182).

Finds faults in cables

ALMOST ANY fault on any type of cable can be located and identified with an instrument introduced by Biccotest.

Using a crystal controlled digital timing technique, the locator is claimed to have an overall accuracy better than 1 per cent. of range setting. Fault distances are shown in metres on a five-digit LED display. It can be used for fault finding on cables from 1 metre to 24 kilometers long, using ten range settings.

Weighing 9 kgs., including battery, the portable unit can be operated from the mains or a rechargeable nickel-cadmium battery. It is stated to be suitable for any dielectric, and applications include low and high voltage power cables, overhead lines, pilot cables, telephone pairs, coaxial cables, screened cables and underfloor heating cables.

The maker, part of the Balfour Beatty Group of BICC, is at Delamare Road, Cheshunt, Herts., EN8 9TG (Waltham Cross 29011).

CONTRACTS AND TENDERS

CONTRACTS AND TENDERS ALSO APPEAR TODAY ON PAGE 6

HOME NEWS

Prices body 'Star Chamber' says MP

BY ELINOR GOODMAN

IE Price Commission was anded as a "Mafia with Star lamber powers," by Mrs. Sally ppenheim, the Conservative okesman. In her most detailed ack since the Commission was up in August, she said that was "loaded with Left-wing ivists" and had established nost a reign of terror in instry, with all the characteris-s of an East European police te.

The Commission's tactics had en "highly questionable" and first three reports, published t week, represented a futile e of taxpayers' money.

Mrs. Oppenheim, speaking at Gloucester constituency, said it the Commission had more n confirmed the worst fears the Conservative Party when legislation was going through rliament. It was now widely dised throughout British instry that these powers posed serious threat.

The Commission's actions were nificantly distorting the rate price increases. This was not the same as a genuine reduction in the rate of inflation.

Some companies had been "bullied and coerced" into withdrawing or modifying price increases, while others had been too scared even to notify increases and had been prepared to sustain considerable losses.

At the very least, an investigation and a price freeze could cause a great deal of trouble and cost, time and money. At worst, it could bring companies to the verge of bankruptcy.

Companies were being forced to tolerate the disruption of having "inexperienced and meddlesome investigators rampaging through their books and requesting information companies should not be asked to give."

In some cases the Commission was asking what could be interpreted as sinister questions on the internal working and relationships within companies.

In these circumstances, it was no wonder companies were terrified to invoke the wrath of the Price Commission Mafia with their powers.

No one could fail to welcome lower prices, but given the present levels of profitability, there could only be a short-term distortion of the true level of prices.

Eventually, as the "economic realities" over-rode fears about the Price Commission, price increases would either have to be passed on or investment cut.

In the second half of this year, there would be a burst of delayed price increases, Mrs. Oppenheim predicted.

Britain needed a "more searching and active competition policy"—but not "the kind of meddlesom and minatory" intervention that has characterised the new Price Commision so far.

There was a real danger that what the Commission was doing in the name of competition might bring the whole concept of tougher competition policy into disrepute.

Tories to study new curbs on immigration

BY PHILIP RAWSTORNE

CONSERVATIVE leaders will consider new proposals for enforcing a stricter curb on immigration.

Detailed policy plans are being prepared by Mr. Keith Speed, Junior Home Affairs spokesman, and are expected to be put before the Shadow Cabinet by Easter.

News of the moves yesterday provoked immediate attacks from immigrant leaders, who said the Tories were "electioneering."

The new proposals, which might be opposed by some senior Tories, are likely to centre on further safeguards against the entry of Asian holders of U.K. passports from East Africa and restrictions on dependent relatives allowed into Britain.

Conservatives are committed to the present arrangements of a 5,000 a year quota for the estimated 30,000 U.K. passport holders.

Mr. Speed said yesterday that if the estimate of the total eligible were to prove wildly wrong, the intake would have to be substantially reduced. Controls on the number of dependents and fiancees of immigrant workers might be tightened.

The immigration figures in 1976 showed more than 60,000 had entered the country—nearly 10,000 more than in 1975.

"We just simply cannot go on like this." Conservative pledges to work towards an end to immigration could not be fulfilled overnight but would have to be carried out over several years.

"But the number coming in is making the job of race relations that much more difficult."

A Commons Select Committee was due to report soon on race relations and its conclusions were likely to force all parties to clarify their policies.

More Home News, Page 23

Scots Liberals plan to boycott assembly

BY RAY PERMAN, SCOTTISH CORRESPONDENT

SCOTTISH LIBERALS, who gave erwhelming backing at the ek-end to Mr. David Steel's ht to continue the pact with e Government, have decided t to attend the Blackpool sembly on Saturday, when the ting could be much closer.

The Liberal leader was on the atform at the Scottish conrence in Glasgow to see an ti-pact motion defeated by an majority. A resolution leaving to the parliamentary party to cide when the arrangement ould end was passed by an even rger margin.

In a private session at the d of the conference, delegates ted against going to Blackol. While this reflects their termination to assert their tonomy, it also involves an ement of tactics.

Scottish votes would have en swamped anyway by the glish party which is ten nes larger, whereas the Glasw vote has given Mr. Steel advantage. Indeed, there are me indications that the decion to hold a separate Scottish nference a week early was signed for just that.

If next week-end results in narrow defeat for Mr. Steel, officers of the Scottish Liberal Party will urge that the votes from Glasgow be put into the pot: if voting is very close, they might then tip the balance.

Mr. Cyril Smith, MP for Rochdale, who was to have attended, backed out when he was told that he would be allowed to speak for only five minutes.

He sent a message asserting that the party was being progressively weakened by the arrangement which "must end now."

Robin Reeves, Welsh correspondent writes: Welsh Liberals, meeting at Llanidloes, Powys, at the week-end, agreed unanimously that any decision to pull out of the pact with the Government should be left to the parliamentary party. The meeting also expressed full confidence in Mr. Steel's leadership.

Mr. Geraint Howells, Liberal MP for Cardigan, said that he believed the pact should be maintained until the end of the parliamentary session in July.

Mr. Emlyn Hooson, leader of the Welsh Liberal Party, and MP for Montgomery, is known to be less enthusiastic about continuing the pact. He would evidently like it ended by April.

Plaid plans amendment to Welsh rule Bill

By Robin Reeves

PLAID CYMRU, the Welsh nationalist party, will press for the option of full self-government for Wales to be included in the proposed devolution referendum on a Welsh assembly.

Plaid's national council agreed unanimously at a meeting in Aberystwyth at the week-end that the party's three MPs should table an amendment to the Welsh Devolution Bill, adding a second question to the proposed referendum ballot paper giving voters the option of voting for or against full self-government.

As it stands, the Bill provides for one question only: Do you want the provisions of the Wales Act, 1977, to be put into effect? The chances of the Government agreeing to the second question must be considered virtually nil.

Inadequate

In practical terms, however, the national council's approach makes it even less likely that Plaid Cymru will participate in any pro-devolution inter-party umbrella campaign for a Welsh assembly during the approach to the proposed referendum.

By sticking to its "separatist" guns the party has chosen to distance itself from the Government's proposals for Wales, which are felt by many of the party's rank-and-file to be inadequate.

Dr. Eurfyl ap Gwilym, the party's chairman, said after the meeting that the Government's proposals for an executive assembly "simply do not go far enough towards meeting the party's policy for full self-government."

Bill would permit strike action by post workers

BY JOHN LLOYD, INDUSTRIAL STAFF

A BILL to permit industrial action by postal workers, previously dropped from the Government's programme because of Liberal opposition, will be introduced in Parliament next month as a Private Member's Bill.

It seems likely to get Government support and may also win the backing of the Liberals.

It is being carefully tailored to allow action to be taken only in the pursuit of strictly industrial claims such as wages and conditions.

The measure was promised in the Queen's Speech last November. But the Liberal Party indicated that they could not support legislation which allowed postal workers to take industrial action in pursuit of broadly political aims.

That would include delaying mail or telephone calls to and from South Africa, and the type of "sympathetic" action during the picketing of the Grunwick film laboratory.

The Post Office Workers (Industrial Action) Bill is being introduced by Mr. Norman Buchan, MP.

Mr. Norman Stagg, deputy general secretary of the Union of Post Office Workers, said: "It will bring us into line with the workers in the electricity, gas and water industries."

The Liberal Party said that it objected to it on the grounds that it gave postal workers the right to disrupt mail or telephone calls for political reasons. If that threat were removed, the party would look again at the Bill.

Flights resume at Liverpool

British Airways flights in and out of Liverpool—suspended by the firemen's strike since November—will be back to normal from 9 a.m. to-morrow.

Services from Liverpool operate daily to and from London, Belfast, Dublin and the Isle of Man.

'Too much optimism' about lager sales

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

BREWERS are too optimistic out the share of the beer arket which might be taken by ger, according to Mr. Colin itchell, of stockbrokers Buckaster and Moore.

Ironically, Mr. Mitchell's coment coincides with an announceent from Courage, the Imperial oup subsidiary, that its new ger brand, Hofmeister, has en successfully test-marketed d is to be brewed in Britain r wide distribution.

Mr. Mitchell says that the ewers in general expect lager les to reach more than 30 per nt. of the total beer market by 80, 35 per cent. by 1985 and ssibly more than 60 per cent. 1990.

Since 1971, the compound nual rate of growth in lager les has been about 18 per cent. d, assuming the total growth beer consumption is about 2½ r cent. a year up to 1980, ture growth will have to be out 10 per cent. a year for ger to achieve a 30 per cent. arket share.

"The industry expects some slowing down in growth, but I feel it will be a little more than this," says Mr. Mitchell.

He suggests lager growth will be affected by both a slowing down in the increase in the number of young drinkers who have boosted lager sales and by the "availability factor."

Draught lager dispensers are now in nearly every U.K. public house so future growth will be dependent on raising lager sales per outlet—"a task I feel will not be as easy as increasing the availability of the product itself," says Mr. Mitchell.

An indication of the faith the brewers have in lager is given by Courage. The company already sells six lagers—three draught types from the Harp Lager consortium—Harp, Harp Special and Kronenbourg—and three bottled varieties—Harp's Satzenbrau, Henninger Diat Pils and Henninger Pilsner.

Hofmeister, which in price and strength competes directly with Harp draught lager, will go on sale in more than 2,000 outlets from April 1 and be brewed at John Smith's Tadcaster brewery.

Stockbroking trial starts

The trial of six defendants involved in a City stockbroking case will start before Judge Neil McKinnon at the Old Bailey to-day.

They have been accused of conspiring to defraud clients of Chapman and Rowe, the stockbroking firm, which was hammered with a substantial deficiency in 1974.

The case is expected to last several weeks.

The defendants are five partners and the managing clerk of the firm. They were sent for trial from Guildhall Court nearly 12 months ago.

Industrial aid for inner cities

BY DAVID CHURCHILL

PRIORITIES for £150m. Government aid to the inner cities over the next three years will be worked out by the summer and will concentrate on new industrial development, Mr. Peter Shore, Environment Secretary, said last night.

The aid is part of the Government's urban renewal programme announced last month. It covers new investment in Liverpool, Manchester, Birmingham and London. The London areas of Lambeth and dockland will receive £20m. a year under the programme, while the other cities will receive £10m. a year extra from next year until 1982.

Mr. Shore, speaking on a London Weekend television programme, said that the three-year programme would be worked out over the next few months after discussions between the local authorities concerned and the Government.

"I very much hope that a substantial part of expenditure will be related to industry, in particular the provision of factories and the improvement of services."

He believed it vital for local authorities to play a more prominent role in helping industry, especially in inner cities. "I want local authorities to have more powers so that they can help to solve some of the problems that small businessmen have."

These powers included such measures as the speeding up of grant and planning applications.

Local authorities should "develop a kind of industrial agency so that they can make the kind of contacts with industry to help deal with their problems."

U.K. accused over Ulster link

BY OUR BELFAST CORRESPONDENT

MR. ENOCH POWELL, Ulster Unionist MP for South Down, accused the Government of secretly trying to break the link between Northern Ireland and Great Britain.

Northern Ireland Office and its political head had an apparent, inbuilt conviction that Ulster was Britain's last colonial possession to be disposed of, Mr. Powell said at the week-end in County Down.

The Government was deliberately trying to goad the Ulster people into accepting, out of sheer frustration and impatience, a "fancy constitution."

The minority would be in such a contrived position of power, in such a set-up as to loosen and eventually sever the links between Ulster and Britain.

Meanwhile, the Northern Ireland Office denied an allegation that its senior officials have had talks with the Provisional IRA.

The allegation was made by the Ulster Special Constabulary Association, a loyalist body, mainly composed of former members of the disbanded Ulster Special Constabulary.

It said that the Irish Government had helped to arrange talks between the Provos and Government officials, to discuss an ultimatum which demanded, among other things, a British military withdrawal, and absorbing Ulster into a Federal Irish state by 1990.

LABOUR NEWS

Leyland shop stewards to urge rise in output

BY OUR INDUSTRIAL STAFF

SHOP STEWARDS to-day will urge Mr. Michael Edwardes, the British Leyland chairman, to adopt an aggressive policy of expanding car sales as an alternative to the planned 10,000 cut in jobs this year.

Union leaders will argue that the company's output forecast for this year, amounting to only 825,000 vehicles and a U.K. market share averaging 27 per cent. is far too pessimistic.

They believe that instead of trimming production the company should raise it to 1m. units a year. To achieve this they are throwing their weight behind a campaign to reduce strikes and increase productivity.

Mass meetings of stewards will be held throughout the group in the next two years to seek support for this strategy.

This argument is not likely to carry much weight with the Leyland management.

Dealers have reported that they might be able to achieve 33 per cent. of the U.K. market by the end of the year. But Leyland itself thinks that an average of 27 per cent. is a much more realistic target. It believes that even to achieve this it will have to maintain a vigorous marketing campaign.

Several new product launches, such as the range of "O" series engines for the Princess and Marina ranges and a diesel for the Princess as well, are planned this year to help the sales drive. Leyland will make special efforts to raise fleet purchases of the Marina.

Even with these efforts, however, the company believes it will not be able to recover all of its lost ground, and is preparing the ground for reductions. Its predictions for the Cars Group, even on its present manning levels of 130,000, indicate that strikes in the company and among component suppliers will cost about 200,000 vehicles and reduce output to forecast levels.

If productivity is to be raised, therefore, there must be redundancies. This is the point which Mr. Edwardes will stress to the union leaders to-day, and to the Prime Minister when he meets him on Wednesday.

Leyland accepts that it needs strong political backing if it is to push through its plans.

The relationship Mr. Edwardes is able to establish to-day in his first meeting with shopfloor leaders will be crucial to the co-operation he can expect in implementing long-term plans for restructuring the Cars Group.

Before his discussions with the Cars Council at Leyland's London headquarters Mr. Edwardes will outline his plans to the full-time national officers of all the unions in the Cars Group. He is expected to stress that any redundancies will be sought on a voluntary basis, and through natural wastage.

Normal fire protection unlikely for some time

BY OUR LABOUR EDITOR

FIRE PROTECTION may remain below normal in many parts of the country in spite of the firemen's return to work to-day after a nine-week national strike.

Resentment of fire officers and of ordinary firemen who refused to join the official strike might cause manning problems, Mr. Dick Foggie, assistant general secretary of the Fire Brigades Union, said last night. "The potential for friction is frightening."

The traditional comradeship and morale of the service have been seriously strained by the strike, according to national and local officials of the union.

In some stations firemen have decided to "send to Coventry" their non-striking colleagues, or to refuse to meet them socially again. This is causing local authorities to work out new manning arrangements. In others, the union is asked to expel the "blacklegs," but these disciplinary procedures will take weeks to process.

At Bolton, Lancs., firemen are to impose a work-to-rule from to-day, answering emergency calls only, in protest at their officers' refusal to join the strike.

Lincolnshire firemen have agreed with the county council to make no discrimination against strikebreakers. In return the council has promised not to "victimise" the strikers. In Manchester 1,800 firemen have been offered interest-free advances on their pay of up to £200 each to help to tide them over.

While the uncertainty about cover remains the Green Goddesses manned by Servicemen will continue to stand by.

Service delays for London AA members likely

By Our Labour Staff

THE Automobile Association has warned its members that delays in services could result from a decision yesterday by 200 London staff belonging to the Association of Scientific and Managerial Staffs to "work to contract" in support of national negotiating rights.

Union leaders said the action, which also represents a protest over a recently negotiated 10 per cent. pay settlement, might soon spread to other parts of the country.

Shipbuilding managers threaten ban

MANAGERS in the shipbuilding industry, angry that their union has not been recognised by British Shipbuilders, have threatened to start an overtime ban from February 1 which would involve about 1,600 members of the Shipbuilding and Allied Industries Management Association.

The move was announced by their national council in London at the week-end in a statement which added that the ban would be called off if recognition was conceded before then.

The statement said British Shipbuilders had agreed that they intended to recognise SAIMA in July last year, but as yet had not done so.

The national council decision was an expression of the "deep resentment felt by members of the unreasonable delays in acknowledging their right to be represented by a union of their own free choice."

SAIMA, formed in 1975, claims to represent 70 per cent. of managers in British Shipbuilders and is already recognised by many companies in the industry. It has recently joined the Engineers' and Managers' Association, a TUC-affiliated union.

Building and Civil Engineering

£13m. worth for Taylor Woodrow

THE Mechanical, Electrical and Process Division of Taylor Woodrow Construction, and its associated company in Nigeria, Taymech Nigeria, have between them been awarded contracts valued at about £13m.

With design and equipment procurement being carried out by the U.K. company, Taymech Nigeria will install automatic tanker loading facilities on the new oil-loading jetty at Okrika, near Port Harcourt, Nigeria, commissioned by the Nigerian Petroleum Refining Company. Value of this is £2.6m.

Taymech Nigeria, continuing its involvement in the development of cement manufacturing installations in Nigeria, has been appointed as the mechanical and electrical installation contractor to the Benue Cement Company, for its new cement works at Gboko, Benue State, Nigeria. This is worth £8.5m.

Taylor Woodrow has also been appointed to design, procure and supervise the erection of the mechanical and electrical services for a textile mill, ordered by the Comite Departmental de Obras Publicas in Santa Cruz, Bolivia. Cost of this is £1.5m.

Back in the U.K., the Ford Motor Company has appointed the company under a £120,000 contract to provide consultancy services in connection with the installation of machine tools at its new plant at Bridgend, South Wales.

Jobs worth £2½m. for Henry Boot

CONTRACTS worth more than £2½m. have been awarded to Henry Boot Construction.

Nearly £¾m. of the total is for the construction of 79 flats at Whittington Court, Cemetery Road, Dronfield, near Sheffield, for the North Cheshire Housing Association. Work on the 80-week contract has begun.

At Walton Summit, near Preston, Henry Boot has begun work on the construction of 12 nursery factories in three blocks for the Central Lancashire Development Corporation. The £600,000 contract marks a further stage in the development of the Corporation's Walton Summit Industrial Estate.

Also included in the 12-month contract is the construction of office accommodation and car parking facilities.

Henry Boot's civil engineering division has been awarded a £420,000 contract by the National Coal Board for civil engineering works related to the electrification of two winders at Ollerton Colliery.

Included in the two-year contract are major extensions to the winder houses and power house, including foundations and other works.

A further £320,000 is for the construction of a coil winding shop, offices and associated works at the Birmingham factory of Dowding and Mills (Midlands).

Other jobs include a contract for the conversion of banking premises in Saint Vincent Street, Glasgow, for Barclays International and five two-storey shops for Commercial Union Properties (U.K.) at Pinstone Street, Sheffield.

Good start to year at £16m.

DEREK Crouch Construction expects to start soon on contracts totalling over £16m.

Among the bigger jobs are 170 dwellings at Hamilton Street, Newcastle upon Tyne (£1¼m.), phase two of Anderson High School at Lerwick in the Shetlands (£1¼m.), a health centre at Greenock (£950,000) and another at Maryhill, Glasgow (£583,000).

However, the biggest project will be a £9.9m. contract for the first phase of a district hospital at Barrow-in-Furness. The hospital will be built on a sloping site and the main H-shape block will be three storeys at its eastern end and five storeys at the western end. Work is due to start in February and the 399-bed hospital is expected to be in use in 1982.

This will be the final part of the development on an existing site on the M5 motorway, which will bring the total investment by Granada to £1¼m. The petrol station was opened before Easter of last year.

Costain's contract includes a single storey catering building and toilet block which will be of steel frame construction with brick cladding.

Work has begun and is due for completion in April. Architects are Howard Lobb, Ratcliff, Leather and Partners.

Hawes for Richmond District Council as part of a £122,000 contract.

Quinroy Midlands is to build 25 houses for the South Bedfordshire District Council for £305,500, modernise 39 houses at Ibstock for the North-West Leicestershire District Council at a cost of £184,000, carry out fire prevention work for Leicester City Council and improve 21 houses at Dacorum on behalf of the local council for £134,500.

£2m. to John Laing

A NEW department store in Stockport is to be fitted out by John Laing under a £1.9m. contract.

The Debenhams Group, has acquired a recently completed 90,000 square feet development in the centre at Touchstone Corner and Laing's contract involves the complete fitting out of the existing shell.

Architects for the project are Ketley Goold and Clark.

Laing has also won a £370,000 contract to build a second phase of 18 advance factory units in two blocks at Stacey Bushes, north Milton Keynes.

The units (for the Development Corporation) will be single-storey and have a total area of about 31,100 square feet, with a clear span. Outside there will be an access road, car parking, landscaping and drainage. Work has started and completion is due by next July.

Faculty of Medicine in Benghazi

THE TURKISH Cypriot company Muduroglu of Nicosia, Cyprus, in joint venture with The General Building Company of Benghazi, Libya, is to build a Faculty of Medicine in Benghazi for the University of Gariunis.

The contract is valued at over 23m. Libyan dinars (about $US80m.) and in an area of about 80,000 square metres calls for a complex designed in eight clusters of buildings. The latter will include a central administration block, lecture theatres, cafeteria and restaurant, library squash court and an animal centre.

The Faculty has been designed to cater for about 1,000 students and is expected to be completed in just over 2½ years. Consultant for this project is OTH International of Paris.

Housing in south-east London

WORK is expected to start towards the end of January on a £1.8m. housing project for the London Borough of Lewisham.

It is understood that 163 dwellings and nine shops are planned and all are to be built in Kirtley Road, SE26. The work is expected to take 80 weeks.

Two awards to Mears

TWO contracts together valued at over £450,000 have been won by Mears Construction.

The first is for Orange Developments of Harrogate for a development at Heywood Town Centre, Lancs. Valued at £315,000, the work involves construction of a supermarket, shops and office accommodation which is scheduled for completion in 40 weeks.

Architects are Wm. Gower and Partners, Leeds and the consulting engineers are McIntyre and Partners, Wakefield.

The second contract, worth £137,000, is for Lubrizol and covers phase two of an energy recovery plant in Bromborough.

Roofing jobs for Laing

JOHN LAING Construction has been warded two re-roofing contracts worth £375,000 by the London Borough of Southwark.

The contracts call for the design and construction of tiled pitched roofs with improved drainage and investigation of existing roof structures. Involved are 67 dwellings in 27 blocks in Croxted Road and three blocks on the Manor Estate, Camilla Road.

Work is to start soon and the contracts are due for completion by October and July respectively.

At home and abroad

HOWFIELD Engineering is undertaking the installation of the mechanical engineering services associated with the refurbishing of a sports stadium in Isa Town, Bahrain.

The work valued at £210,000, involves the design, installation and commissioning of the refrigeration, air conditioning and ventilating and domestic water services within the stadium, and is being carried out in conjunction with Christy Electrical Contractors for completion early this year.

Among other contracts awarded for work in the U.K. is one involving the installation of mechanical and electrical services, together valued at £160,000 at the Black Lion Sports Centre, Gillingham, designed by the Architects Department of Gillingham Borough Council. G. H. Buckle & Partners are the consulting engineers and the main contractor is R. Corben & Son (Maidstone).

Motorway services area

COSTAIN Construction has been awarded an £800,000 contract by Granada Motorway Services for a motorway service area at Exeter, Devon.

Houses and flats

QUINROY has won a £796,000 contract to erect 63 houses at Denholme for the City of Bradford Corporation. The company is also to modernise 21 flats at Sheffield for the City Council for £90,000 and construct 12 flats at

Aids the buyer

CHEMICAL Building Products has set up a factoring service for building materials of all categories. It offers major international contractors operating overseas an economical and efficient method of buying goods and materials to British Standard Specifications.

The service enables buyers, particularly those who are not familiar with BSS norms (for instance German or Korean contractors working on Middle East contracts under British consulting engineers) to avoid having to spend a lot of time looking for possible suppliers. It also reduces the number of suppliers they have to deal with.

Chemical Building Products, Cleveland Road, Hemel Hempstead, Herts HP2 7DL. 0442 3101.

Jewellery store for Liverpool

DEMOLITION HAS commenced of the H. Samuel jewellery retail store at the junction of Church Street and Tarleton Street, Liverpool. It is to be replaced with a three-storey building with a total floor area of 947 square metres.

Described as an example of a new concept of jewellery store being developed by H. Samuel, the work is being undertaken by Lesser Construction under a £½m. contract. Shopfitting is by Pyramid Design, of Brentford, and the work is to be completed by November.

Road award in Kent

CONSTRUCTION of the northern link of the Dartford town centre distributor road is to be undertaken by Scott Hale (Contractors) under a £1m. award from Kent County Council.

About 1 km. of single carriageway, including a service road and bus lanes is required. Also included is a river bridge, high level footbridge, and a pedestrian subway. The River Darent will be diverted for about 150 metres in concrete lined channels.

Advance works for an extension to the Dartford telephone exchange and the installation of street lighting and road signs are included in the contract. Work is to start on January 23.

Ferry terminal extension

WEYMOUTH and Portland Borough Council has awarded John Mowlem a £708,000 contract for an extension to the Weymouth ferry terminal. The work is scheduled for completion in July.

The contract calls for the construction of a sheet steel pile retaining wall out into the sea using Larssen 3/20 piles. A reinforced concrete capping beam will retain the sill and the wall will be anchored using tie rods and waling.

The reclaimed land behind the pile wall will be filled in and surfaced. This will provide additional parking space and improved access to the existing ro-ro ferry terminal which was constructed by Mowlem in 1973.

Office and factory work

HARGREAVES Construction and Plant (Northern) has gained three contracts worth £¾m. for work in the North-East.

Largest is for the construction of a two-storey office block with a floor area of 1,100 square metres, as well as alterations to an existing factory and external works, for Tallent Engineering Company of Aycliffe Industrial Estate.

For Alnwick District Council a 2,400 square metres car park and access road to the back of commercial premises in the High Street is being constructed. At Team Valley Trading Estate, Gateshead, a 138 square metres factory extension is being constructed to provide a paper reel unloading bay for the Stationery Office.

Road tender accepted

THE Department of Transport has accepted the £158,430 tender of Lehane Mackenzie and Shand for reconstruction works on the southbound carriageway of the A1 trunk road between Catterick south roundabout and Low Street junction, North Yorkshire. Work is expected to start soon and will take about six months to complete.

While work is in progress traffic will be diverted from the southbound to the northbound carriageway, where two-way traffic working will be in operation.

IN BRIEF

● Youngman System Building has received four orders totalling over £165,000. Three of them, placed by Amey Roadstone Construction, Gullick Dobson, and Sea Land Pipe Lines Fabrication Engineers, are for offices at Abingdon, Wigan and Lowestoft respectively. The other, from Grampian Regional Council, is for a school at Aberdeen.

● Charcon Tunnels has received a £160,000 order to supply tunnel linings for the Hong Kong Mass Transit Railway. The order was placed by Keir International, a member of the French Kier Group, on behalf of the Gammon Kier Lilley Joint venture in Hong Kong.

● The Queen and the Duke of Edinburgh, will visit The Institution of Civil Engineers at Westminster, London, on June 1 as part of the 150th anniversary celebrations of the granting of the Royal Charter to the Institution.

● During 1977, Sambron of High Wycombe, Bucks, broke all previous sales and profit records. Sales of the company's specialist handling equipment for builders and farmers reached £6m., an increase of over 41 per cent.

● Under a £191,000 contract FPA Finnegan is to repair fire damage at the Gravesend Singlewell County Primary (Junior and Infant) School at Gravesend, Kent for Kent County Council.

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The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

Paul Sieghart discusses the concept of corporate social responsibility and suggests how companies might tackle the ethical problems which face them

Questions of business morality

…LIC catastrophes like …fan, thalidomide and Flix…ough are mercifully rare, …t every so often, something …ilar is bound to happen, …en the modern scale and com…xity of our manufacturing …d trading operations. Sup…se, next time, the company …cerned is quite innocent of …y legal "fault," is fully …ured, and has substantial …uid resources. What would …pen if it made an immediate …ouncement on the following …es?

'We are apalled that such a …isaster should have …appened. We extend our …eepest sympathies to the …ictims and their relatives. We have set up an enquiry …o establish exactly how it …ame about. We feel confident …hat it will show that we are …ot in any way to blame. If …hat proves to be so, then we …hall not be under a legal …bligation to compensate the …ictims. But we have made good profits in the last few years, and we recognise our moral obligation to help others, especially where they would not have suffered this disaster if we had not been conducting our business, however carefully and responsibly. We are therefore taking immediate steps to organise a relief fund for the sufferers from this tragedy. It will be open to public subscription, and we should like to start it off with £X million of our own. We have power under company law to contribute to charity, but as this is our shareholders' money they should have the opportunity to take this decision for themselves. We are therefore convening an Extraordinary General Meeting for this purpose, and hope to send our notices next week."

The effect might well be remarkable. Not only could the company avoid protracted and expensive litigation (assuming it was in the clear), but it might find itself with a number of unexpected bonuses. For a start, it would get free and favourable publicity on a scale that no money could buy, cynical though that may sound. It might find future discretionary licences a great deal easier to obtain than if it had stood on its legal rights. The chances are that the next few years would see a sharp increase in the demand for its products. Its employees would feel proud to be working for a company which had done such a charitable and compassionate act. And it would be surprising if at least some of its shareholders did not feel the same pride.

More dramatic

Such situations provide the more dramatic examples of what is nowadays called "the Social Responsibility of the Corporation." No doubt there may still be some businessmen who will say that their job is to run their businesses as efficiently as they can, and that vague concepts like "social responsibility" are for politicians and philosophers, not for people who do a hard day's work creating wealth. They are likely to add that when Parliament makes a law to restrict their activities they will of course obey it, but until then they are entitled to assume that what is good for business is also good for the country.

But there are fewer and fewer businessmen to-day who hold these views. The great majority, and especially those in charge of our largest companies, take the social responsibility of their corporations very seriously indeed.

But just what is "social responsibility?" Is it no more than another fashionable slogan like "management by objectives?" Or is there a body of knowledge about it which can be put to practical use in the corporate context?

Responsibility is a word that comes from the field of morality or "ethics." These are not sciences in the sense that you can get answers to moral problems by running experiments in a laboratory. But that does not mean that they cannot be studied at all: there are plenty of people in our universities who spend their lives investigating and writing about ethics. The trouble is that very few businessmen have ever had the time to study abstract subjects while very few academics have any experience of running a business. And yet one can hardly give useful advice about how to decide moral problems in business, without a pretty sound understanding of what moral problems are and how businesses are run.

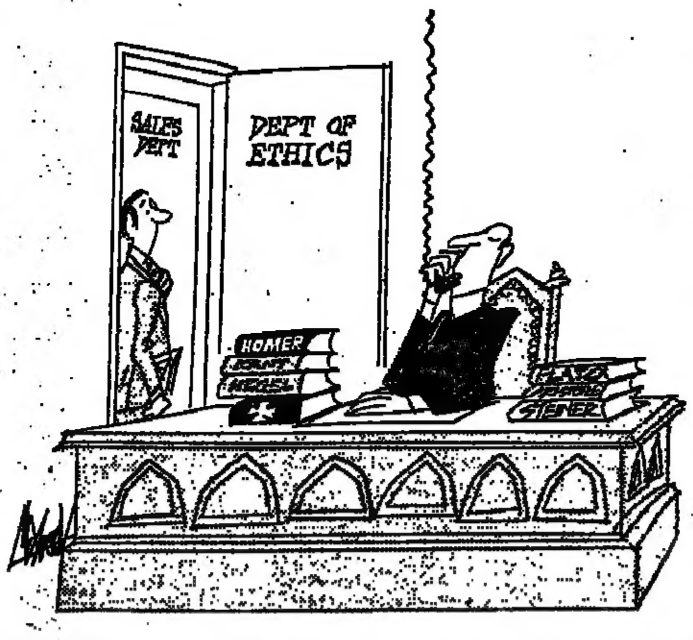
When people first think of moral problems, they tend to think of the "black-and-white" variety which we can all recognise without knowing much about the higher reaches of ethical theory. If your chief scientist, just before the planned launch of your new product, brightly tells you that he thinks there may be just the tiniest risk that it could produce cancer, you have no choice but to postpone the launch—whatever the cost—until he has finished his laboratory runs, even if the risk is thought to lie below whatever thresholds the law lays down. Whether you regard it as wrong, or simply as unprofitable, you cannot afford to damage or kill your customers.

Unfortunately, most ethical problems are not as simple as that. Serious ones only arise when there is a conflict between two or more moral principles. Should one go on creating wealth and providing employment for blacks in South Africa, when most of the rest of the world, including one's own Government, condemns the policies of the regime there? Should one help to preserve law and order in foreign streets by developing new "harmless" hardware, and selling it to police forces in totalitarian states? How should one trade in a country where one's competitors habitually bribe the local officials?

Problems of that kind are often thought to be insoluble. And yet, if they are studied expertly and thoroughly, they can quite frequently be resolved—or perhaps circumnavigated, by changing some factor within one's own control. But that is never simple, and involves a combination of several professional techniques plus practical experience. Where is that to be found?

The final responsibility for taking ethical decisions must of course always lie with the Board of Directors, at all events when the issue is important enough. But there is a good deal of preparatory work to be done before the Board meets, just as civil servants need to do a lot of homework before their ministers can make up their minds on live political issues. Whereabouts, within the corporate structure, should that preparatory work be done, and who will be best qualified to do it?

Much will depend on the size of the company and its style of



management. In the multinationals, and especially those operating in particularly sensitive areas, there is already a trend towards developing a staff function whose main concern is the social responsibility of that particular corporation—even though it is more likely to be called something like the "Department of External Affairs," and even though both the operating divisions and the public relations consultants tend to view it with some suspicion.

In smaller companies, the chief executive may be fortunate in having a colleague, a personal assistant, or a wife with a Socratic turn of mind, with whom he can talk through the moral problems which crop up on his desk. That can sometimes be a good informal way of taking soundings and advice. But in larger companies, where the chairman will seldom have time to do all this on his own, there will have to be something more formally structured: someone to whom the task of preparing the Board for important moral decisions can be delegated with clear terms of reference, and whose position within the management echelons is secure enough to enable him to obtain all the relevant information, to form his own view, and to advocate it without fear of personal consequences.

Nor is his task a purely defensive one, to be switched in only when the company comes under attack: there are many positive and creative things which a company can contribute to the community to which it belongs—provided someone initiates them, and works them up properly before they are put into effect.

What then are the necessary qualifications of such a person? Clearly, he must know about the company, its processes and products, and its commercial policies. He must have a good deal of practical experience of how businesses are run, and what are the commercial constraints on those who run them. He will need a general working knowledge of the law, though not in the same detail as the company's own lawyers. Expertise in his company's technology can help, but if it is too detailed it may produce too great a concentration on the trees, and so obscure the wood. He must know the "moral environment" in which the company functions, that is to say by what standards the rest of the community judges it, and the products or services which it supplies. He must have strong links with that community so that he knows what needs his company can fill. And he must have rather more than a passing acquaintance with ethical theory, so that he can use the techniques needed to analyse the complex scale and structure of a moral problem, to ask the right questions, and to find a creative and practical solution. On top of that he must have experience in making practical judgments so that he will keep his feet on the ground.

People like that are hard to find—and harder still to fit in to a decision-making structure. And that is the factor which is probably the most critical of all.

To be of any real use to his company, the individual to whom this function is assigned needs to be able to "distance" himself from the corporation to an extent which very few career managers can afford to do. Much of the most useful advice he can give may well be uncomfortable and disturbing to others. Sometimes it will create acute personal tensions within the company.

Tall order

It can therefore be given with the necessary degree of detachment only by someone who can afford to be independent, in the sense that he will not be influenced by the effect which his advice might have on his future career or livelihood. If this task is assigned to a full-time corporation man, he must therefore be given uninhibited access to the top, a roving brief across all departments, and a virtually cast-iron guarantee that he will never risk his job, however unpopular his recommendations may be.

That is a very tall order. Perhaps it explains why the non-executive director is coming back into fashion. He provides another solution to the problem, for he can often help the working directors to a clearer view of the ethics of a policy decision—precisely because he is immune to internal pressures, has no departmental responsibilities, and can therefore take a dispassionate view, as well as having more of a feel for what the outside world thinks. And, if he is any good, he will make sure that he gets access to all the information he needs.

That solution works well in a number of companies. The only other alternative is to have recourse to outside consultants. A consultant's independence is guaranteed, since his success depends in the long run only on his professional competence, and not on telling his clients what they would like to hear. Besides, his function is complete when he has given his advice, and no friction is engendered if the client chooses to ignore it.

It is perhaps a pointer to the future, therefore, that in the U.S. a separate profession of "social responsibility consultants" is beginning to develop. Such firms are still rare in this country, but as they develop, they are beginning to build up a respectable body of professional skill, experience and expertise. With the increasing and responsible interest shown by more and more companies in social affairs it is quite on the cards that their use will eventually become almost as much of a commonplace as the employment of lawyers and auditors.

Different solutions are therefore available for different managements. But whatever solutions are adopted, a wider and more professional involvement in social responsibility must be to the ultimate advantage of the business community in general. Such a trend can only help it to conduct its affairs in a fashion more acceptable to the rest of society, and to resist the increasing spate of attacks made upon it by those whose real concern is to destroy the system of freedom and competition upon which it rests.

And—though perhaps one should only mention it in a whisper—it might even increase the amount of good that is done in the business world.

Paul Sieghart, senior partner of the Sieghart, Foster and Hargreaves consultancy, is a leading human rights lawyer and international consultant. He helped draft the 1975 White Paper on Computers and Privacy.

Business Books

Dictionary of Business and Economics, by Christine Ammer and Dean S. Ammer. Collier Macmillan. Price: $19.95. An easy-to-use volume of definitions, examples, and background material for all the terms needed in business and economics.

Cutting Energy Costs, by Richard Dick-Larkham. Gower Press, Westmead, Farnborough, Hampshire. Price: £10. A practical guide to energy saving in industry.

Common Sense Industrial Relations, by Dennis D. Hunt. David and Charles, Brunel House, Newton Abbot, Devon. Price: £4.95. Down-to-earth help and guidance on how to overcome difficult and apparently insoluble problems in industrial relations is the aim of this book.

The Businessman's Guide to Speech-making and to the Laws and Conduct of Meetings, by Ewan Mitchell. Business Books. Price: £8.50. In this second edition the first half of the book details the basic principles that go towards making a speech a success and the second half deals with the laws and conduct of meetings.

Management for Growth, by Richard Normann. John Wiley and Sons. Price: £9.50. An examination of the nature of effectiveness both in the exchange process and the growth process of business organisations.

LOMBARD

A letter to an oil sheikh

BY SAMUEL BRITTAN

DEAR SHEIKH YAMANI,

It is not often that I write to a sheikh, still less to a sheikh who is also the Oil Minister of the country which effectively controls the international oil price. So I ought to make the most of the opportunity. My message to you is, however, simple. Do not just threaten to switch the oil price from a dollar basis to a fixed basket of currencies. But please go ahead and do so as soon as possible. It will be better for the world economy, the oil producers, and even eventually the U.S. itself.

Your original intention of freezing the oil price in 1978 did not take into account currency fluctuations, but implicitly assumed that the dollar would remain stable against other currencies. If the dollar depreciates, the Americans can hardly expect the dollar price of oil to remain the same. The principle can be illustrated by looking at the sterling price. Let us assume that sterling remains unchanged against a weighted average of currencies, but rises by 5 per cent. against the dollar. Then the dollar on the same set of weights has fallen by approximately 5 per cent. against the average of other currencies. If the dollar price of oil is increased by 5 per cent., then there is no increase in the sterling price of oil, which is consistent with overall stability. The Americans pay more, but that is because the dollar has been devalued.

To price in terms of a basket of currencies is much less productive of friction than a diplomatic insistence on the Americans defending the dollar. The swap agreements, which your country is said to have encouraged, cannot permanently safeguard a currency against market forces. But the effort to maintain artificial parities generates, while it lasts, friction, crises and endless emergency meetings—as anyone who had to write on world monetary affairs in the late 1960s and early 1970s will remember so well.

Restrictions

Worst of all, it encourages countries to impose trade and payments restrictions in an effort to preserve the exchange rate structure. This means that exchange rate stability, instead of being a means to aid the free flow of goods and capital, becomes an obstacle to it. This is one reason why, whatever the arguments for Europas or gold standard type arrangements, "fixed exchange rates" between separate national currencies are such a bad idea.

From the point of view of both oil producers and importers, the price of oil would move far less jerkily if it were fixed in terms of a basket of currencies, as was OPEC practice earlier in the 1970s. If the intention is to keep the price of oil stable in terms of currencies in general, but the fixing is made periodically in terms of the dollar, then non-dollar importers will face a sagging price of oil followed by sudden upward jerks. If it is fixed in terms of a currency basket, then there will be no change at all for importers whose currencies remain stable. U.S. importers, if the dollar depreciates, would face a gradual dollar rise instead of a series of steps. If, for instance, the oil price had been fixed in Special Drawing Rights, the dollar price would have risen by 5 per cent. over the past year, with much less need for an agonising reappraisal.

Pressures

It is normal for a devaluing country to have to pay more for its imports by almost the full extent of the devaluation. This is one of the considerations for a country to weigh up in its monetary policy. The Americans are perfectly entitled to argue that their present policy is justified in terms of output and employment, even at the cost of some depreciation and inflation. But they cannot expect—because they no longer have the power—to get a devaluation on cut rate terms. Pricing in dollars merely disguises this fact of life.

So far I have refrained from reminding you how much the oil cartel (of which you are the effective manager although you disclaim the honour) contributed to the present combination of slump and inflation from which the world is suffering. This will still be true even if the U.K. comes in on the act. Political pressures from your neighbours may prevent you from slashing the price of oil in money terms. But you might just be able to get away with allowing world inflation to reduce the real price of oil over a period of years. A 7 per cent. inflation rate in the OECD area would halve the real price of oil in less than 10 years—this is a very delicate balancing act, and if you are expected to bear on top of this further reductions as a by-product of dollar depreciation, the whole operation could collapse. But not even you can prevent the dollar from falling unless you were actually to take over the Federal Reserve. This might be a good idea, but it won't happen yet.

Yours sincerely,

SAMUEL BRITTAN.

THE WEEK IN THE COURTS

Judges live in a world of their own

BY JUSTINIAN

THE LORD CHANCELLOR was acting in accord with the best constitutional tradition in taking no drastic action against Judge McKinnon, QC, for the inept and injudicious handling of the trial of Mr. Kingsley Read on a charge of inciting persons to racial hatred.

But was he right to resist all the blandishments of Labour politicians who protested outrage (perhaps a little more vigorously than was warranted) at the impliedly offensive references to the immigrant population?

The answer is that Lord Elwyn-Jones was right to do nothing more than administer the mildest of rebukes to the judge (the Lord Chancellor's acceptance of Judge McKinnon's expressed wish not to be involved in similar cases in the future can be interpreted as the most that would have happened had the judge not taken the initiative).

But Lord Elwyn-Jones would be hopelessly wrong in adopting the complacent attitude that all is well with our system of appointing judges and with the way in which legitimate complaints about the behaviour of judges are handled in contemporary society.

Talks too much

Judicial independence and integrity are rightly prized in our society. And public confidence in that independence and integrity must not be shaken by official yielding to political over-reaction to a single aberration, however grave. Judge McKinnon's gaffe was not an expression of deep-seated prejudice bubbling over in the instant case. To those who know Judge McKinnon he is a man without any trace of malice towards any group in society. If his politics are to the right of centre, in that respect he marches in step with a large majority of his fellow judges.

It would be a mistake, on the other hand, to conclude that the judge is a passionate upholder of free speech. If he is, he has shown himself to be extraordinarily selective.

Two years ago, he sat for 51 days trying the case of 14 pacifists who were charged with attempting to incite British troops to disaffection, by distributing leaflets calling on soldiers not to serve in Northern Ireland. Judge McKinnon displayed no sympathy with their claim that this law was a gross invasion upon the citizen's freedom of speech. (The jury rejected the judge's overt efforts to produce a conviction).

Judge McKinnon suffers from two, not uncommon, judicial attributes, both of which he manifested in his handling of the Read trial. He talks too much and without stopping to think what he has to say. (It was Francis Bacon who said that an "over-talkative judge is like an ill-tuned cymbal").

Many a judge might think as Judge McKinnon spoke, but he would have the good sense to refrain from expressing it in the courtroom. The covert nature of that kind of behaviour is to be feared more than the garrulousness of the McKinnons on the Bench.

Judge McKinnon's second fault—again, common enough—is that he can lay no claim to being a good lawyer. (It was once said of a leading barrister that he was a bad lawyer, to which the riposte of a colleague was that "he was no lawyer at all").

A comparison between the impeccable directions to the jury given by Judge Lawson QC in Mr. Read's earlier trial (when the jury failed to agree, although a majority apparently also favoured an acquittal) and those given by Judge McKinnon shows how it should be done, and how a jury can easily be left in a confused state of mind.

It is essential that a judge should have security of tenure and only be removable for specific grounds, and then only by means of an adequate procedure. The process of selection of judges should be based on the individual's professional standing, his reputation for complete probity and his competence.

The selection of judges in England, made exclusively from among the elite of legal practitioers, ensures that the first two attributes are present before appointment. But too often incompetence manifests itself only when the incumbent is securely in office. And incompetence is sometimes compounded by the covert social bias that perhaps infects the legal profession more than any other.

Any system that draws its judges from those who have spent much the greater portion of their working lives practising the law is prone to producing misfits. The qualities of judgeship are quite different from those of an advocate. Some make the transition with transparent ease: others never cease to be partisan, and, however sound their judgments, conduct their cases as if they were gladiators in the forensic arena. Such displays are not good for the appearance of justice.

Thought should be given in the Lord Chancellor's Office to spotting judicial talent early in the individual lawyer's professional life, subjecting him to training (why have we no training college for judges?) and starting him on the lowest rungs of the judicial ladder. Without going over to a wholly career judiciary, we could conveniently inject some of the Continental system into our method of appointments.

The most startling characteristics of the English judiciary are the investment of power we reside in judges and their innate conservatism. It is idle for politicians of a radical bent (not by any means restricted to Labour politicians) to wail at the decisions of the courts.

A Labour Lord Chancellor should set about quite deliberately to introduce a strong radical element and put on the Bench men who are in touch with modern society and have some perception of what the ordinary citizen demands of the law.

Retirement

In so many respects English law is fustian in expression and socially remote in its precepts and application. Much of that is to do with the unwillingness of the legal profession (and sequentially, the judges) to accommodate the advanced thinking of a dynamic society. If there is need for some fresh talent at the top end of the judicial hierarchy to redress the balance of the older judges, the driftwood of the middle order of the judiciary desperately needs to be gathered up and pensioned off.

Public criticism of the judges at the Old Bailey (our most important criminal court) is too frequent to be dismissed as the unjustified grievances of disgruntled customers. The Lord Chancellor should not be thwarted by the tradition that judges are allowed to stay so long as the outcry is not too virulent so that dismissal is inevitable. Gentle persuasion to retirement is deployed too little.

No group of persons performing a public service possesses more power and immunity from disciplinary action than our judges. There is a need to bring the judges off their public pedestal and subject them to some at least of the realities of modern society.

Is there any reason why the Parliamentary Commissioner for Administration should not receive and investigate the complaints of the public against judges?

Judge McKinnon's remarks about immigrants could have been more satisfactorily reviewed with cool detachment by an Ombudsman rather than under the political heat of the moment. As a start, the Ombudsman's jurisdiction could be limited to judges below the High Court Bench.

Inspired Cardiff arrest Pontypool juggernaut

RUGBY UNION

BY PETER ROBBINS

SOME 15,000 packed into Pontypool's picturesque ground for the Schweppes Welsh K.O. match against Cardiff, all stayed to the end of a fascinating match that Cardiff finally won 16—11. They scored four tries—all by Gerald Davies—to two tries and a penalty.

There was something to please everyone—good forward play and exciting back play, but not from the same sides. Cardiff, starved of possession well with Pontypool's juggernaut pack, and gave proof of their ingenuity.

First came a fierce opening assault from Pontypool, Cardiff's regrouping, with a purple patch midway through the second half, and finally Pontypool's all-out bid for victory which was thwarted by some excellent defence.

In the first phase Pontypool's forwards ran amok, winning ruck after ruck and the mauls. Technically this was a faultless forward performance, in which Faulkner, Windsor and Price were the strong base.

Gregory the flank provided constructive dash, but everything revolved round and sprang from Cobner. He probed the blind side in the opening phase and worked cleverly with his scrum-half Grey, whose kicking initially was accurate. So, too, was that of Hawkins, and with the ball coming back as though on a conveyor belt Cardiff were in real trouble.

Lewis kicked Pontypool's penalty after eight minutes and three minutes later Goff Davies scored a try. Such was the Pontypool pressure that it was 20 minutes before Gerald Davies, Cardiff's captain, touched the ball from a passing movement. However, Gareth Edwards was in great defensive form. Having absorbed immense punishment, Cardiff produced a nine-man move for Davies to score before half-time.

The gulf between the three-quarters was shown more starkly as Cardiff quickly scored two more tries, both by grasping the most meagre chances and, of course, having the genius on the right wing to finish off. There is no greater sight in rugby than Gerald Davis in full flight.

With 20 minutes to play and with Gregory and Cobner apparently everywhere Pontypool battered away at Cardiff. The problem was that as their magnificent forwards won the ball, so their half-backs lost their kicking accuracy. The ball was not moved quickly enough and their speed could not compare with that of Daniels and Murphy.

Watkins on the left had a golden chance but was too slow; Cobner, Faulkner, Gregory, and Windsor were all held up close to the line by some devastating tackling from the Cardiff back row of Charles and the Lane brothers. Gareth Edwards also brought off one momentous tackle on Lewis and the forwards, notably Wallace, Robinson and Smith, never shirked that awesome task.

Davies scored his fourth try on the stroke of full-time from a glaring break by Daniels. Gregory achieved Pontypool's last score but it was then academic.

Ultimately what undid Pontypool was the slowness of their backs and their half-backs' inability to fill the tactical vacuum left in the wake of such a superb pack. Ray Prosser, the coach, has done a remarkable job to weld together such a mighty pack.

Golden Welsh encore

HAPPY DAYS came back to Old Deer Park when London Welsh beat Bath by a stunning 46-0. Welsh ran in eight tries, four of which were converted by Neil Bennett, who landed two penalties to bring back memories of a golden era of six or seven years' ago, and achieve their biggest score of the season.

Poor Bath! Almost every ball they won they managed to fumble and spoil, while, as their heart drained away, Welsh just came running at them and scoring points.

By half-time the visitors were 20 points down, and the Welsh added 26 in a second half that almost exactly mirrored the first. Bath started each half with great verve and energy only to see the Welsh shrug off their vigour, and dominate.

The destruction was complete. In the line-out Bath just about held their own, but the rucks and the mauls saw Welsh come away with more clean ball than they could have believed possible.

With an ebullient Keith Hughes controlling the back play from centre, the wings were given more chance to run than for many a long day.

The backs were well served by scrum-half Alun Lewis, despite some successful spoiling and wheeling by Bath in set scrummages. Outside him, Neil Bennett showed flair, determination and even humour varying the method of attack, both passing and kicking well.

Yet Bath's front row more than held its own and lock forward Barry did well in the line. At scrum-half, Murphy had a reasonable day and England Under-23 stand-off Palmer showed what a devastating and direct attacker he can be.

But the centres were unsound, the ball rarely reaching the wings, and captain and full-back Waterman did not have a good game.

Welsh No. 8 Mansfield was carried off after being knocked out in a crash tackle late in the second half. He was replaced by Miller, but is expected to be fit enough to take his place on the reserve bench in Wales final trial next Saturday.

STUART ALEXANDER

Liverpool regain efficiency

SOCCER

BY TREVOR BAILEY

AFTER THEIR ignominious dismissal from the FA Cup last week, and several sub-standard performances in the League which have suggested they will not retain their title, Liverpool beat West Bromwich Albion 1—0 at the Hawthorns with an efficient display, especially in the first half. However a draw would have been a fairer result in thoroughly entertaining contest.

The Merseyside machine employed a progressive 4-4-2 formation, with Dalglish and Johnson up front. This lively duo were invariably supported by members of the midfield quartet, and sometimes the rearguard as well, whenever they swarmed forward on the attack.

Souness, their new and expensive acquisition from Middlesbrough, played alongside McDermott in midfield, with Callaghan on the right flank, and a most impressive Kennedy on the left.

Considering it was his first appearance for the club Souness fitted in smoothly and revealed many deft touches without quite justifying the fortune expended on him. But this could well come later, when he has become acclimatised to the atmosphere and his colleagues, and is entirely match-fit.

The tall young centre back, Hansen, caught the eye far more than Souness. He had an outstanding match in the heart of Liverpool's defence, in the position formerly occupied by Hughes, who moved to left-back.

The first half belonged largely to Liverpool, who took the lead through Johnson after the 'keeper had beaten out a fine shot from Kennedy. The striker, scurrying hither and thither, appears to have rediscovered the form and zest of his best days with Ipswich.

Ron Atkinson, who has done splendidly for Cambridge United with very limited resources, and leaves them well-placed to gain promotion to the Second Division, takes over as manager of Albion to-day. He has inherited a well-organised side, who, though not at their peak, showed plenty of spirit in a fine rally after the interval, which deserved better than a disallowed goal.

They mount their attacks with considerable imagination, but their defence was often in trouble. The coloured spearhead of Cunningham and Regis promised rather more than they achieved. Both have considerable skill, but made surprisingly little impression and Regis was eventually substituted.

Albion's belligerent left-winger Johnston, their three halves, and two full-backs who caused most trouble to the opposing defence.

Judging by this performance Albion are an attractive, close-knit, middle-of-the-table team who have developed an exceptional understanding. I have a suspicion they may be playing above their true potential. Wile is a club captain who does far more than toss up and lead the side out on to the field—a rarity these days.

Brearley breaks an arm

KARACHI, Jan. 15.

ENGLAND cricket captain Mike Brearley had his left forearm broken in a one-day match against a Sind XI here to-day, and will fly home to-morrow. Yorkshire's Geoff Boycott takes over the captaincy, and will lead England in the third and final Test against Pakistan, which starts here on Wednesday, and in the three-Test series in New Zealand.

Brearley, opening the innings with Boycott, shuffled across his stumps to a ball from medium-fast bowler Sikandar Bakht that reared sharply and hit him about six inches above the wrist.

The ball was one of several that lifted awkwardly off a bare pitch at the Karachi Gymkhana Club.

Reuter

Borg and Evert ranked No. 1

TENNIS

BY JOHN BARRETT

SWEDEN'S 21-year-old tennis prodigy Bjorn Borg and the super-consistent American Chris Evert head the lists in my rankings for 1977.

Despite Virginia Wade's magnificent success at Wimbledon, few would dispute the claims of Miss Evert, who last year lost only four times.

The order at the top of the men's list depends upon the interpretation of evidence, that is to say the least, confusing. Borg won a second Wimbledon title, and lost only eight matches in winning ten of the 18 tournaments he entered.

Guillermo Vilas, the left-handed Argentinian, won the French and U.S. Opens, and 16 titles in the 32 tournaments he entered. This was a triumph of fitness and concentration, that was impressive in its consistency.

Vilas had an amazing run after Wimbledon that gave him 85 wins from 86 matches before he lost to Borg (for the third time during the season) last week's Colgate Masters in New York.

Vilas argued that the Masters, with its new January date should not count towards 1977 rankings, but it was still the culminating event of the past season. More serious in terms of assessment was the decision to play all Masters singles matches, including the semi-finals and final, over three sets instead of the traditional five.

Connors's win over Borg there must therefore be set against the loss in the Wimbledon final and another loss last January in the final of the Pepsi Cola Grand Slam. Otherwise the U.S. No. 1 had another consistent year, with eight tournament wins from 19.

Brian Gottfried was another whose consistency was amazing. He was a winner of five Grand Prix titles and lost in the final of ten others.

The victory of Vitas Gerulaitis (U.S.) in last month's Australian Open, added to his Italian success in May, gave him preference over his compatriot, Dick Stockton.

Manuel Orantes, following an operation on his elbow in May, won two important U.S. titles—the Clay Court championships in Indianapolis and the U.S. Pro in Boston.

Miss Evert was again in a class of her own. She won ten of her 13 tournaments, was finalist in another, and a semi-finalist in the other two. Miss Wade's Wimbledon win and her reaching the quarter-finals or better in 14 of her 15 tournaments made her second place secure.

Billie-Jean King's late-season run of three tournament wins and her victory over Miss Wade in the Wightman Cup match in San Francisco that put her ahead of Betty Stove (Holland), the Wimbledon finalist and a semi-finalist at Forest Hills. Sue Barker (GB) promised much early in the year, but faded with only two tournament victories from her 12 appearances.

MEN:

1, Borg; 2, Vilas; 3, Connors; 4, Gottfried; 5, Gerulaitis; 6, Stockton; 7, Orantes; 8, Dent; 9, Ramirez; 10, Dibbs, and 11, Nastase.

WOMEN:

1, Evert; 2, Wade; 3, King; 4, Stove; 5, Navratilova; 6, Barker; 7, Turnbull; 8, Casals; 9, Jausovec; 10, Reid.

Big Ben highly promising

RACING

BY DOMINIC WIGAN

A LITTLE more light seems certain to be shed on the Daily Express Triumph Hurdle picture to-day, for Wolverhampton's Stourbridge four-year-old Hurdle has attracted a smart field which includes recent winners in Persian Crown, Freight Forwarder, Connaught Ranger and Pine Brook.

Although Fred Rimmell's surprise runner, Connaught Ranger, seems certain to go to post a warm order, I expect the Tony Dickinson-trained Big Ben to prove too good for him.

This former inmate of Francois Boutin's illustrious French stable has yet to win under National Hunt rules, but has run a couple of highly promising races. It is interesting to note that both his handler and Michael Dickinson rate him some way in front of Honeggar, who has shown himself to be a well-above-average performer.

Whatever their fate with Big Ben, the Dickinson father-and-son team ought to make their trip south from Gisburn pay off with a victory through that progressive seven-year-old Angel Clare. This novice, who bids for a hat trick, goes for the second division of the Molineux Street Chase.

At to-day's other meeting, Chepstow, where it is a Racegoers' Club concession day programme, I expect Hunter's Joy getting the better of Golden Spice in the opener, Division I of the Rabbit Novice Hurdle.

WOLVERHAMPTON
1.15—Cabar Feidh
1.45—Angel Clare
2.15—Master Melody
2.45—Big Ben**
3.15—Galloway Edition
3.45—Slap Happy

CHEPSTOW
1.30—Hunter's Joy***
2.00—Gathering Storm*
2.30—Flagstaff
3.00—Tiepolino
3.30—Vulabaloo
4.00—Echo Summit

TV/Radio

† Indicates programme in black and white.

BBC 1

9.38 a.m. For Schools, Colleges. 10.45 You and Me. 11.22 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Bod. 2.01 For Schools, Colleges. 3.15 Songs of Praise from Port Talbot, Glamorgan. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 2 11.00 a.m.). 4.20 Barbapapa. 4.25 Jackanory. 4.40 Hunter's Gold. 5.05 John Craven's Newsround. 5.10 Blue Peter.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.50 Ask the Family.
7.15 Blake's Seven.
8.10 Panorama: Can One Man Make A Difference?—President Carter's first year in office.
9.00 News.
9.25 Washington: Behind Closed Doors.
10.55 To-night.
11.35 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—1.45-2.00 p.m. Pili Pala. 5.55-6.20 Wales To-day. 6.50-7.15 Heddiw. 11.35 News and Weather for Wales.

Scotland—10.00-10.20 a.m. For Schools (Around Scotland). 5.55-6.20 p.m. Reporting Scotland. 10.55 11.30 Public Account. 11.30 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 11.35 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South-West (Plymouth).

BBC 2

11.00 a.m. Play School.
2.00 p.m. Wordpower.
3.30 Children Growing Up.
4.00 The Object of the Exercise.
7.00 News on 2 Headlines with sub-titles.
7.05 Ancestral Voices.
7.30 Newsday.
8.10 International Cabaret.
9.00 Americans.
9.50 Marie Curie, part 1.
10.45 Just a Nimmo.
11.15 Late News on 2.
11.25 Télé-Journal.
11.50 Closedown: David Markham reads "One Art" by Elizabeth Bishop.

LONDON

9.30 a.m. Schools Programmes. 12.00 Noddy. 12.10 p.m. Stepping Stones. 12.30 Indoor League. 1.00 News plus FT index. 1.20 Help! 1.30 About Britain. 2.00 After Noon. †2.25 Monday Matinee: "The Hour Of 13," starring Peter Lawford, Dawn Addams and Derek Bond. 3.50 Couples. 4.20 Clapperboard. 4.45 The Flockton Flyer. 5.15 Pauline's People.
5.45 News.
6.00 Thames at 6.
6.40 Help!
6.45 Opportunity Knocks!
7.30 Coronation Street.
8.00 Miss Jones and Son.
8.30 Personal Report.
9.00 Hazell.
10.00 News.
10.30 The Big Film: "An Affair To Remember," starring Cary Grant and Deborah Kerr.
12.25 a.m. Close: Karin Fernald reads a poem about Christianity.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. 2.25 Tandarra. 3.20 Arnie. 5.15 University Challenge. 6.00 About Anglia. [illegible] Mystery Movie: McCloud. [illegible] Reflection.

ATV

12.30 p.m. Gourge Hamilton IV. 1.20 ATV Newsdesk. 2.25 Upstairs, Downstairs. 3.20 Looks Familiar. 5.15 University Challenge. 6.00 ATV Today. [illegible]

BORDER

12.30 p.m. All About Babies. [illegible] Border News. [illegible] Monday Matinee: "Interrupted Journey," starring [illegible] Todd. [illegible] Monday Film: [illegible] Sharif [illegible] Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. [illegible] Monday Matinee: [illegible] University Challenge. [illegible] Channel News. [illegible] Late News. [illegible] news and weather in French.

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. [illegible]

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 2.00-2.25 Hamdden. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV West—As HTV General Service except: [illegible] Report West Headlines. [illegible] Report West.

SCOTTISH

12.30 p.m. Indoor League. [illegible]

SOUTHERN

12.30 p.m. Farm Progress. [illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1 247m

(S) Stereophonic broadcast

[illegible]

RADIO 2 1,500m and VHF

[illegible]

RADIO 3 464m, Stereo & VHF

[illegible]

RADIO 4 434m, 285m, and VHF

[illegible]

BBC Radio London 206m and 94.9 VHF

[illegible]

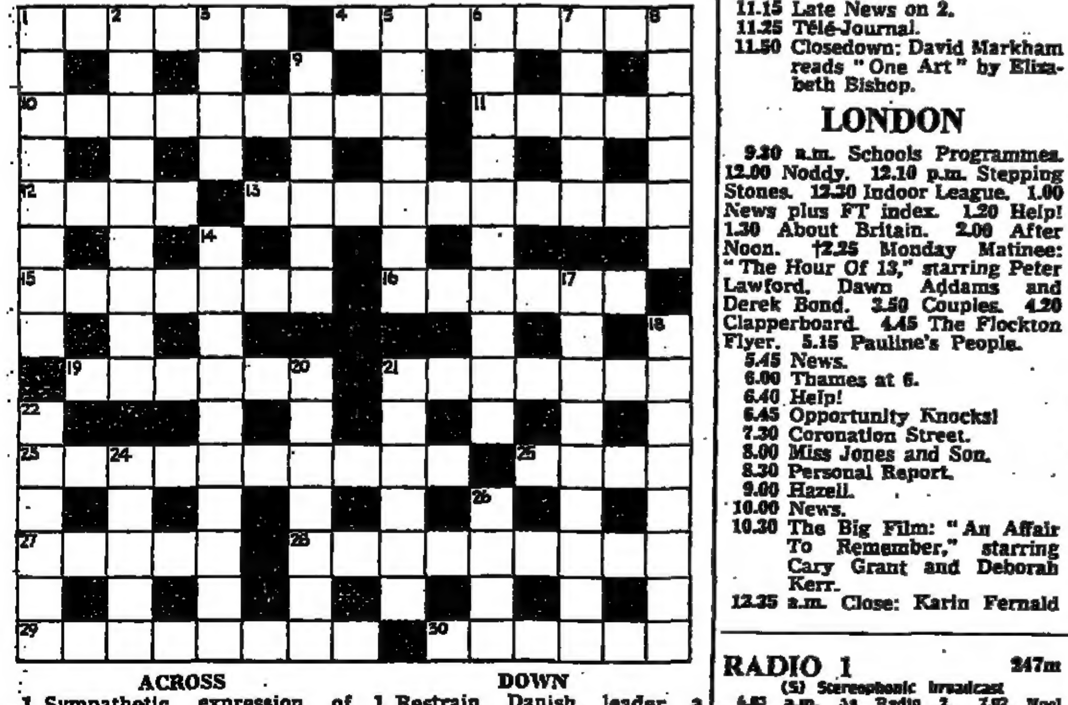
London Broadcasting 261m and 97.3 VHF

[illegible]

Capital Radio 194m and 95.8 VHF

[illegible]

F.T. CROSSWORD PUZZLE No. 3,568



ACROSS

1 Sympathetic expression of how costly I am (4, 2)
4 Explain carefully period spent abroad (5, 3)
10 Kind of business run by postmaster (4, 5)
11 Tear-jerker in the kitchen (5)
12 Roundhead will suit me (4)
13 Plane table attendant (3, 7)
15 Don't leave them all while engaging (7)
16 Exquisite metal may be reformed in 24 hours (6)
19 Destroyed right of middleman (6)
21 Salesman (51) takes accountant copy (7)
23 China invites sovereign to fit (10)
25 Scots leader with features that are complacent (4)
27 Scene of action found in square naturally (5)
28 Confess to being both unfashionable and up-to-date (3, 4, 2)
29 Left country with a very noisy cathedral (8)
30 Overture by sensitive person (6)

DOWN

1 Restrain Danish leader a member depressed (4, 5)
2 Part of world appearing to like one article by youth (4, 5)
3 Low sound over pole at spaceman's rendezvous (4)
5 Average church newsman finds dry (7)
6 A greasy pole will hurry (4, 6)
7 Stony-hearted girl (5)
8 Shinto might become fashionable (6)
9 Notice substitute for counsel's opinion (6)
14 Arrears in palmistry (4, 2, 4)
17 Celebrating victory could give Ruth a limp (9)
18 A leg Ruth broke in reaction to comedian (8)
20 Recite quickly when part of film is cancelled (4, 3)
21 Income Tax return (6)
22 Bad writing in beginning of symphony with slow movement (6)
24 Institution beheaded by Georgia is the very end (5)
26 Experience not recorded (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Warehouse

The Bundle

There is a subtitle to Edward Bond's new play, "The New Narrow Road to the Deep North," but it throws no more light on the inner meaning of that gnostic phrase than did the old narrow road. There is the same first scene, adapted, the author says, from Matsuo Basho's *Records of a Weather-Exposed Skeleton*. Basho ("I am, as you know, the great 17th-century Japanese poet") finds a baby left on a river bank and declines to pick it up. In Mark One the child grew into a kind of priestly Candide; here in Mark Two he becomes a guerilla leader devoted to imposing what seems to be anarchy.

The grimmer outlook produces a grimmer play. Wang, the eponymous "bundle," is adopted by a good ferryman, but with years of discretion he is sold into a nine-year indenture to Basho, the price of help to flood-bound villagers. Basho has achieved enlightenment after 14 years wandering in China (and that's 15½ years faster than he achieved it by sitting in front of a brick wall in Mark One). He has been appointed a judge by the landowner who plays the part of ruler in these parts—no doubt kept so unspecific because this fits Mr. Bond's theme, the distribution of the land to the people.

After his nine years, Wang falls in with some bandits led by a vainglorious thief named Tiger, and soon becomes their leader. Tiger, entertainingly played by Paul Moriarty, speaks in the simplified English of Tarzan of the Apes. We have not come down only in the social scale but the intellectual scale too, for hitherto the dialogue has hovered near the style in which Mr. Bond writes poems, nine of which are annexed to the programme.

Both styles, when combined with the extreme simplification of event that characterises the first act, play their part in making this act almost completely non-dramatic, in spite of director Howard Davies's effective use of sparse yet cogent scenes where Chris Dyer's decor of rough sticks rising from the bare floor evokes movingly the marshy waters where the ferryman plies his trade in a flat boat.

Drama, melodrama even, comes after the interval, when Wang involves his adoptive father in gun-running and there is some welcome excitement in the conflict with the landowner's soldiers and Basho's summary justice.

But acting opportunities are few. There is no more life in most of the characters than in those assorted figures on the base of the Albert Memorial. Patrick Stewart gives Basho some individuality, even a hint of humour; Bob Peck's ferryman has a wholesome dignity; but even Mike Gwilym cannot make more of Wang than a property hero who might be rooting for anything between the First XI at St. Jim's and the October Revolution.

The play is a more conventional revolutionary document than its predecessor; I suspect an incompletely digested influence from *Fangshen*. The cruelty Mr. Bond delights in is reduced to some offstage events. Some wounded people are said to have "blood down to their underclothes," suggesting that they bleed inwards. We end with Basho, now blind, still seeking the narrow road to the deep North, whatever that is, and Wang, a temporary visitor at least, left on stage to tell us a parable against "carrying the dead on your back."

B. A. YOUNG

Leonard Burt

Mike Gwilym, Margaret Ashcroft, Bob Peck and Judith Harte

Purcell Room

Clarinet and piano

The last concert on Friday of the Park Lane Group's excellent annual series of Young Artists and 20th-century music was shared by two exceptionally promising young performers, a clarinettist and a pianist, both born in 1950.

Philip Edwards studied the clarinet with Alan Hacker before launching on a freelance career. He began the evening with Peter Maxwell Davies's *Hymnos*, composed for Alan Hacker and Stephen Pruslin in 1967, delivering the music with unmistakably Hackerish exuberance — full, bright tone, shaded with dark colour, lit by strident clarion calls: a virtuoso account of lively sympathy and real presence, very effective.

Mr. Edwards also gave us the first performance of *Scena III* for solo clarinet by Richard Rodney Bennett (the year's composer of the series): a short, angular essay of no very strong dramatic character, but attractively and neatly made—more promising perhaps as a private technical study for students of the instrument than as a concert-piece. In Martinu's Sonatina and Milhaud's *Duo Concertant* he showed splendid command of colour and line—stylish, agile performances both, shaped with enviable breath-control, sustained with fine conviction. I suspect that this is a young musician whom, with luck, we shall come to know rather well.

The pianist, Peter Lawson, also offered two first (London) performances—of Robert Sherlaw Johnson's third sonata, which made much use of plucking and finger-damping techniques inside the piano, but without slickness or gimmick, simply and imaginatively: a quiet, confident voice that gauged its own limitations exactly; and of *Dunstable Cantus* by John Howard (b. 1950), less tautly made, a more rambling investigation of keyboard patterns and sonorities, but crisply, convincingly presented. A pair of birds from Messiaen's *Catalogue d'oiseaux* gave Mr. Lawson the opportunity to show off a sturdy finger technique, and a sympathetic lyrical talent, in two careful and scrupulous readings: specially good to hear all of Messiaen's silences—and long, echoing resonances—given their due weight.

DOMINIC GILL

Purcell Room

Hommage à Poulenc

by ELIZABETH FORBES

The homage paid to Francis Poulenc by the Songmakers' Almanac at the Purcell Room on Saturday night was a worthy tribute to the composer of many fine *melodies*, whether exquisite, charming, nostalgic, satirical or riotously bawdy. Together with Graham Johnson, pianist and deviser of this and other programmes presented by the Almanac, four singers took part: Felicity Lott and Jennifer Smith (sopranos); Richard Jackson and Stephen Varcoe (baritones). A sixth participant was unfortunately prevented by illness from assisting at the recital: Pierre Bernac, the veteran singer whose collaboration with Poulenc during the last two decades of the composer's life was so immensely fruitful.

Bernac was to have recited *L'Histoire de Babar le petit elephant*, Poulenc's musical illustrations to Jean de Brunhoff's much-loved children's story, a work that originated in an improvised entertainment for one of the composer's young relatives. In the event *Babar* was narrated by the four British singers (in Nelly Rieu's English version) while Graham Johnson played the piano part with suitable panache and virtuosity. Mr. Johnson, still under 30, is a remarkable young man. His profound artistic humility, made clear in moving spoken tributes both to Poulenc and to Bernac, is tempered by a streak of that arrogance essential to success in the performing arts.

His 13-part series devoted to Poulenc, *Le Journal de mes melodies*, which for the last three months has been such a pleasurable feature of Radio Three's Sunday evening broadcasts, displays an acute sympathy with the man as well as the musician, with the poems and their creators as well as the settings. In Saturday's recital—and in the parent BBC series—Guillaume Apollinaire was the poet who overshadowed the rest. "La Grenouillere," the evocation of past glory when painters and writers favoured this island in the Seine, was delicately sung by Jennifer Smith, while "Montparnasse," a self-portrait of the young Apollinaire, inspired a vivid performance from Felicity Lott.

To Richard Jackson fell "1904," another of the poet's studies in nostalgia, a sentiment equally congenial to Poulenc, and also the sardonic "Avant le Cinéma" in which the pretensions of provincial professors are gently mocked. Stephen Varcoe characterised the eccentrics of Speakers' Corner amusingly in "Hyde Park," and found a nice balance of irony and sentiment for "Rosemonde." Paul Eluard was another poet frequently set by Poulenc, and in "Homme au Sourire tendre" Jennifer Smith pointed the emotional contrast between the two lovers. Another love poem by Eluard, "Nous avons fait la nuit" from the cycle *Tel Jour telle nuit*, was tenderly expressed by Felicity Lott.

Miss Lott was awarded two other succulent plums, the gorgeously tuneful "Chemins de l'amour" from Anouilh's play *Leocadia*, originally written for Yvonne Printemps, and "Hier," a poem by Marie Laurencin set by Poulenc in his most elegant vein. In the first U.K. performance of Paul Valéry's "Colloque," the only song for two voices composed by Poulenc, Richard Jackson was partnered by Felicity Lott, while all four singers took part in *Le Bestiaire*, the composer's earliest settings of Apollinaire. Stephen Varcoe's Tibetan Goat was particularly frisky, while Jennifer Smith's superior Grasshopper and melancholy Carp shone like tiny gems.

Elizabeth Hall

Schuetz by RONALD CRICHTON

Roger Norrington's development into an uncommonly good conductor of opera has not lessened his devotion to the 17th Century master Heinrich Schuetz. At Saturday night's concert he appeared once again at the head of the Schuetz Choir of London in a programme combining five assorted motets with a complete performance of the *Musikalische Exequien*. The choice reflected both Schuetz's command and fusion of Italian and German styles and his genius for word setting, whether in Latin or German, whether by repeating words for emphasis, by use of expressive dissonants, or by so perfectly finding the musical equivalent of a spoken sentence that one is convinced he has resorted to some kind of tone-painting. In these skills Schuetz is the peer of Monteverdi and, in our music, of Byrd or Purcell.

The Schuetz Choir is a small body of 12 professional soloists, heard to better advantage on this occasion as a whole than in part. The six-part, unaccompanied motet "Das ist je gewisslich wahr" and "Herr, wenn ich nur dich habe" from the *Exequien* were given with a rhythmic vitality and verbal pungency that made the decorous and not over-confident solo work in two pieces from the *Kleine Geistliche Konzerten* ("concertos for one or two voices and some instruments") sound pallid by comparison—the subjects, David's lament for Absolom and some passionate lines from the Song of Solomon, were sadly inappropriate for such treatment.

The *Musical Exequies* were commissioned for the funeral of Count Heinrich Reuss but in part at least completed in advance and apparently "frequently played" to the Count during his lifetime—a luxurious way of coming to terms with one's own end. The final section is a "nunc dimittis" with interpolated phrases of consolation sung by distant voices and instruments. In the Elizabeth Hall, which has, indeed, the gloominess of a giant crematorium but neither the beauty nor the resonance of a great church, these had to be placed in the single, small box, with an improvised desk light shining at the audience—a poor idea of Heaven. The London Baroque Players provided four noble sackbuts and two cornetts, the latter with the habitual intonation problems. The organ, cello and bass continuo were also furnished with a chitarrone, handsome but only intermittently audible.

Riverside Studios

The Cherry Orchard

The main auditorium of the new Riverside Studios in Hammersmith is unlike any other theatre, though in general plan it resembles the Mermaid. A broad single tier of seats holding about 400 leads down to a stage that is a broad wood-parqueted area bounded downstage by Row A and upstage by a flat wall parqueted in the same design. There is no accommodation in the wings or backstage and no provision for flying scenery. The sight-lines and the acoustics are immaculate.

Such an arena makes a logical space for Peter Gill to work in, for his recent production of *Twelfth Night* indicated that his thoughts were moving in such a direction. Before the action begins, and while the audience makes its laggardly way through the somewhat cramped entrances, a bunch of Russian peasants sit or lie at either side of the stage. When the houselights go down, they turn casually to the task of taking a table, some chairs and an inlaid wooden bookcase to the centre of the stage.

This is all the scenery there is, yet within five minutes, as Dunyasha and Lopakhin sit waiting, at 2 o'clock in the morning, for Ranevskaya and her party to come in, we know that it is all we need.

Firs leads them in, an octogenarian Jeeves to whom George Howe gives a look of Clemenceau in the statue in the Champs Elysees. Then those immortal non sequiturs begin, with Judy Parfitt's Ranevskaya at the focus, disdainfully uncomprehending of anything but her own pleasure, yet radiating kindness to all. Miss Parfitt looks young to be Varya's mother; but Julie Covington's Varya, her hair scraped up to a bun on the top of her head, her face and her voice drained of emotion, cares nothing for youth. Anya, her sister, though, is little more than a schoolgirl in Caroline Langrishe's performance; clearly Varya isn't as old as she chooses to look.

There is an interesting contrast between Michael Elphick's Lopakhin, a man schooled in the ways of discipline, and Stephen Rea's Trofimov, who might be a student of our own times. Mr. Rea is very positive and takes charge when he has anything to say, but Mr. Elphick, though he plays a man of wealth and power, can only command servants.

There are pleasant performances by Wensley Pithey as Pischik, fat and Pickwickian, Philip Locke as the talkative Gaev, David Pugh as Epihodov in his squeaky boots. The dramatic patterns are formed entirely by the players; even the ball in Act 3 has no scenery but a row of seven chairs along the wall, though an enjoyable dance passes over the stage to begin it. Eleanor Bron as Charlotta, changing into male drag to do her tricks, contrives to be very funny and yet quiet and restrained.

Only at the end did I feel the emotions inadequately stated. Miss Parfitt, who has given a masterly exhibition of indifference through the evening, makes Ranevskaya's farewell to the house sound routine, as if she were anxious to get it over; and if she had been, she would not have done it. Anya follows her with an equally empty farewell. Varya's last scene with Lopakhin, composed only of idle talk, is more moving; and Firs's last scene with himself more moving still.

B. A. YOUNG

Elizabeth Hall

Brendel

Behind Alfred Brendel's intellectual dissection of the music he plays—have the fruits of thorough and original analysis ever been more evident in a great pianist's performances?—there lies a penetratingly simple emotional response to that music. At times, one has suspected him of wilfulness, of casually arguing against obvious musical truth in the way that a great philosopher might argue a false syllogism, in order to stimulate a restless intellect.

But in Thursday's recital (the second of four Wholly Schubert concerts he is giving in the course of the current Mainly Schubert series) the clarity of his emotional response quite subdued any such wilfulness. He played Schubert for all the icy, deadly seriousness which his music contains. I had never thought to hear all four Op. 90 Impromptus so brooding, so full of tension as Brendel made them sound: the first, which in other hands can be rambling, was unified into one powerful vision; the second, which can so often be sentimental, was utterly plain, the serenity just hinted at, never comfortably in repose. Even the arpeggios of the fourth Impromptu were restless, driven onwards by yearning.

To regard this cold approach to Schubert as evidence of Brendel's detachment is, I am sure, wholly mistaken. Even when the musical material at his disposal is less concentrated, as in the evening's two 1825 Sonatas, Brendel is profoundly involved—but he never allows that involvement to disturb the quite chilling balance which he strikes between Schubert's moods. Hinting at insecurity in the military rumblings of the A minor Sonata's first movement; hardly daring to breathe the joy of the Trio; awkwardly pounding the cross rhythms of the D major Sonata's slow movement; treating the final Rondo with deadpan seriousness (in spite of all Schumann's advice to the contrary)—in all these moments Brendel was wholly in command. His playing was direct in communication and revelatory in content.

NICHOLAS KENYON

Leonard Burt

Jonathan Summers and Carol Neblett

Covent Garden

La fanciulla del West

by MAX LOPPERT

For the Puccini revival on Friday, the first since the staging was new last June, the producer Piero Faggioni was on hand, the cast was an exact replica of the original, and Zubin Mehta was once again in the pit and at his most galvanic. It was a smashing performance. To encounter in the opera house something so fresh and crisp in condition is a rare treat indeed—the tentative moments (caused by the heroine's illness) and the problems of orchestral balance of the early performances last year have vanished, and in their place comes one of the most detailed, discriminating and enthusiastic productions the Royal Opera has given us in recent years, in which every part tells down to the smallest, and in which musical and dramatic values are treated as co-essential, not as sparring partners. The price to be paid for Ken Adam's opulent and picturesque sets is still two long intervals, though now reduced a little in length. But this proves bothersome only in the last act, with its water wheel setting a slightly heavy, unpoetic exchange for the original redwood forest clearing — as the happy ending is likely to seem pleasingly unbelievable whatever the stage picture, the insistence on visual realism strikes one as pedantic.

The handsome Carol Neblett, Minnie to the life, now adds the full lustre and power of her very fine soprano to a command of the role already appreciated earlier for its dramatic impact. At first, the tone was a touch steely, and Miss Neblett's words, because they were too often unclear (this was particularly noticeable in "Laggiu nel Soledad"), failed to warm it. By the end of the first act she was into her stride hitting those fearfully vertiginous Bs and Cs with ease and brilliance, and digging deep into what is, after all, an improbable but not an impossible character. With her fresh-air athleticism—when the florid writing of "O, se sapeste" is turned as fleetly as it was here, this quality becomes especially vivid—and her heroic generosity, Minnie is for me the most endearing and unclaustrophobic of Puccini heroines, and Miss Neblett's tender and natural way with the role imprints her special warmth on the whole performance.

Friday was also one of those glorious evenings when Placido Domingo poured his voice into the house in a golden flood that virtually defied comment, let alone criticism. The heroic, romantic sound was somewhat at odds with a large and shambling appearance—considering the singer's own naturally prepossessing form and features, could the designer not have contrived for his Dick Johnson something just a little more dashing? We shall have to wait for Silvano Carroli's Iago later this season to discover whether the Italian baritone is also a singer of refinement and subtle nuance to match the knife-edged force and declamatory punch he so easily unleashes as Rance. That Mr. Carroli is an actor of no little authority was demonstrated in the way his large, black, melancholy figure was apt to loom even from the sidelines.

La fanciulla del West is distinguished from Puccini's other mature operas by its large male cast, and by the way the three principal roles are set amidst an assembly of meaty cameo parts, all inviting the sharply individualised treatment and skilful teamwork for which the Covent Garden cast is so admirable. One wants to mention each quickly sketched portrayal, not just Francis Egerton's keenly insinuating Nick, Jonathan Summers' generous and touching Sonora, Gwynne Howell's mellifluous minstrel, the grizzled old Trin of John Dobson, or the throat-catching, emotional quality Paul Crook brought to Harry's solo entry in the "Old Dog Tray" ensemble of the first act. Under Mehta's energetic but also acutely perceptive direction, with male chorus and orchestra on peak form, the choral friezes of first and last acts are heard as examples of the opera's genuinely broadened range, as proof of its achievement of that something more than just another "Boheme, Butterfly & Co." for which Puccini confessed himself to be searching. Not a great opera, perhaps. Performed like this, a wonderful opera, certainly.

Tribute to Musgrave

The Young Musicians' Symphony Orchestra will launch Thea Musgrave's 50th birthday year with a performance of her *Concerto for Orchestra* in St. John's, Smith Square on Saturday, January 28.

The programme also includes Nielsen's *5th Symphony* and Rakhmaninov's *3rd Piano Concerto*. The soloist is David Green.

Young Musicians '78

The Greater London Arts Association has selected the musicians to be included in its Young Musicians '78 scheme. The musicians will be appearing in two public concerts at the Purcell Room on Sunday, February 5, at 2.45 and 6.45 p.m.

This successful scheme which is now in its tenth year is organised by the Association and sponsored by London Weekend Television. This year over 120 professional musicians, resident in Greater London and under 26 years of age (28 for singers), were auditioned for the scheme.

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Monday January 16 1978

A trade war averted

THE DANGER of an outright trade war between Japan and the U.S. appears, for the time being at least, to have been averted. Last week in Tokyo Mr. Robert Strauss, the U.S. special trade representative, reached agreement on a package of measures which mark a significant advance on the Japanese Government's position as presented in Washington by Mr. Strauss's counterpart, Mr. Nobuhiko Ushiba, a month ago.

The earlier package did not go nearly far enough to satisfy American demands, particularly on imports of agricultural produce. The modest nature of the concessions came as a considerable disappointment; it had been widely supposed that the drastic Cabinet reshuffle heralded a more determined effort by Mr. Takeo Fukuda, the Prime Minister, to get to grips with the political problems posed by liberalisation. The unfavourable reaction in Washington and elsewhere evidently persuaded Mr. Fukuda to offer more, despite increasingly threatening noises from his own domestic farm lobby.

Import quotas

The most important feature of last week's agreement was the commitment by Japan to increase the import quotas for beef, oranges and citrus fruit juice—not to the full extent requested by the Americans, but far enough to cause some awkward political repercussions inside Japan. These increased quotas will not, in themselves, make any dramatic difference to the U.S.-Japan trade balance, but, taken together with other Japanese moves to encourage imports, they should have a useful psychological impact on public opinion in the U.S.

In the meantime one of the other sources of conflict—steel imports—has been brought under some sort of control. The Carter Administration has published its plans for a system of reference prices to keep out low-priced imports. Although there are a number of details still to be clarified, the initial reaction from the Japanese steelmakers has been one of relief that the measures are not more restrictive

It is expected that Japanese steelmakers will raise their prices to meet the new levels set by the Administration, which work out at roughly 6 per cent. below the comparable U.S. domestic prices. There is still, of course, a big question-mark over the long-term consequences of the protectionist measures taken both by the U.S. and the EEC: once the world steel market has been cartelised, it may prove difficult to open it up again to free trade. But as a short-term measure designed in part to prevent a further deterioration in trade relations, the reference price system may be the lesser evil.

Clearly the Japanese must continue their efforts, not only in relation to the U.S., to expand their imports of manufactured products. It is now widely appreciated by Japan's leading exporters that the continued acceptance of their products in European and American markets depends in part on their willingness to import more components and other materials from those markets; a start has been made in vehicle components but a great more could and should be done.

The biggest uncertainty remains the future of the Japanese economy. The growth rate in the present fiscal year, ending in March, is now estimated at just over 5 per cent. compared to the earlier target of 6.7 per cent. The Government has committed itself to a 7 per cent. growth target in the next fiscal year, but there is scepticism within Japan as to whether this target is feasible; many economists believe that growth will be not much more than 4 per cent.

Stimulus

The appreciation of the yen has created serious problems in parts of Japanese industry; the number of bankruptcies has been rising sharply. The increase in exports is certain to slow down considerably in the next fiscal year: the main impetus to economic growth will have to come from domestic expenditure. Although the draft budget provides for a big increase in borrowing and in public works expenditure, many observers doubt whether the stimulus will be sufficient to meet the Government's stated objectives.

It is only through a sustained recovery in the world economy, in which Japan must play a major part, that the forces of protectionism will be curbed. The agreements which have just been reached with the U.S. can be regarded as palliatives, but Mr. Fukuda's handling of the Japanese economy over the next year will help to determine whether a return to free trade can be achieved.

Supporting the committee

NO COMPANY chairman likes to give detailed forecasts of prospective profits or losses, especially when only three or four months of the financial year in question have elapsed. Sir Charles Villiers, chairman of the British Steel Corporation, has stated that the projection of a £466m. loss for the year ending March 1978, which was contained in a report to the Board in July 1977, was crude and unreliable. It would have been quite wrong, in his view, to have given this figure to the Select Committee which was then investigating the industry. He says he left the committee in no doubt that the BSC's financial prospects were deteriorating, but it was not until much later in the year, after the world steel recession had worsened unexpectedly, that he became convinced that the loss might be as high as £500m.

More immediate

Yet the £466m. projection was passed on to the Department of Industry in July. Members of the Select Committee argue that they too should have been told of the figure and that, if they had, they would have called for more immediate action to tackle the crisis in British Steel. The committee is urging the House of Commons to order the Government to make available all the papers relating to future prospects submitted by the BSC to the Department of Industry from the beginning of 1976.

It is always a matter of judgement for the chairman of a nationalised industry as to how much information he should provide to the Select Committee, even on a confidential basis. Yet the committee has a record of showing responsibility in these matters; it does not indulge in unnecessary fishing expeditions. Moreover, when a corporation has had such a consistently bad performance as the BSC, and its financial state is so serious, the committee's questions are bound to be more detailed and more embarrassing to the management than they would be in a normal situation. In these circumstances, the management of the corporation would be well advised to take the committee fully into its confidence.

Over the past decade, successive managements and successive Governments have between them failed to achieve the stated purpose of nationalisation—to modernise the industry. The House of Commons can hardly be expected to wait passively while the management and the Department of Industry decide how to deal with the present crisis, which is far worse than any of the preceding ones. The House, through the Select Committee, has a right to be informed about the options which are being considered and to form its own conclusions about what should be done.

Modernisation

The committee's demands for information might seem at first sight to be inconsistent with the recommendation in its report that the Department of Industry should cut down on its detailed monitoring of the corporation; the committee's proposal, over-simplified, is that the Government should decide what it wants to do with steel, appoint a management team and let them get on with it. But, as we pointed out last week, the Government has never decided what sort of a steel industry it wants. In theory it is committed to the modernisation strategy contained in the 1972 White Paper, but there has been no consistent attempt to implement it. Moreover, as the committee says in its report, the core of the strategy—the expansion of five main steel-making centres to an internationally competitive scale of production—assumes a level of home and export demand which now looks highly questionable.

In these conditions, the role of the Select Committee on Nationalised Industries as guardian of the public interest acquires a special importance. It deserves the support of the full House of Commons.

Make-or-break time for a new world trade order

BY REGINALD DALE

THE most ambitious round of international trade negotiations since World War II should, with luck, within the next few days reach what one senior EEC official likes to call "the starting gate." That may seem an odd choice of phrase given that the talks were formally opened at a meeting in Japan well over four years ago, in September, 1973, earning the title of the "Tokyo Round." Trade experts call them the MTN (multilateral trade negotiations). But there still are those who think that an original suggestion to dub them the Long Round, after Mr. Olivier Long, the Director-General of GATT, might have been more appropriate.

The slow pace so far of the negotiations, described as "trench warfare" by GATT officials, has been largely dictated by events in Washington. It took the U.S. until January, 1975, to acquire a negotiating mandate, with the passage of the Trade Act. More time elapsed while the American team was assembled in Geneva, the site of the day-to-day negotiations. Not long after came the start of the Presidential election campaign, the change of Administration, and further delays while President Carter looked for a new Special Trade Representative before picking Mr. Robert Strauss last March.

Mr. Strauss's arrival on the scene was the signal for a new burst of activity. In the first place, the new U.S. Administration sees the Tokyo Round as a key element in the battle against protectionism. In the second, Mr. Strauss feels that he has an obvious personal interest in the talks succeeding. He strongly rejects suggestions that trade liberalisation cannot move ahead while the world economy is beset by inflation and unemployment. The U.S. Congress, he pointed out in a recent speech, accepted President Roosevelt's proposals for the first reciprocal trade agreements at the depth of the great depression of the 1930s, and GATT itself was established, and the first GATT round of trade negotiations held, during the recession that followed World War II.

Not everyone in Geneva is so sanguine. At GATT Headquarters, senior officials are encouraged by the last minute success of efforts to renew arrangements for world textile trade under the multi-fibre agreement at the end of the year, and by Japan's increasing willingness to acknowledge the need for trade concessions. But they still feel that the whole Tokyo Round remains balanced on a knife-edge and could yet be swept away in a welter of unilateral protectionist measures. All are agreed, however, that with the U.S. Trade Act due to expire in the first few days of 1980, the coming year will make or break the talks.

A very great deal is at stake. The Tokyo Round is intended to create a new up-to-date framework for world trade that will last through the next decade and into the 1990s. There may never again be such a wide-ranging trade negotiation. It is far broader in scope than its predecessor, the Kennedy Round of the 1960s, which concentrated on tariffs and anti-dumping measures. The current Round is again meant to lead to a major tariff cut, but it also takes in a vast list of non-tariff barriers, down to such items as consular fees in Latin America, which in many cases are far more disruptive than tariffs to international trade.

In addition, it is hoped to reach agreement on a number of new codes of conduct in areas such as Government procurement, technical standards, customs valuation and import licensing procedures. Further major aims are to update international safeguards mechanisms and rules covering subsidies and countervailing duties, and to devise new ways of liberalising trade in agricultural goods.

Inevitably, the 97-nation talks are dominated by the U.S., the EEC and Japan, which together account for 50 per cent. of world trade. But Canada and Australia have major interests at stake as raw materials exporters, and the developing countries are pressing hard to amend the rules of the trading system to ensure that their special needs are taken into account. Among the industrialised countries, it is a fundamental aim to reassure businessmen and planners that they can rely on a further prolonged period of liberal, if not entirely free trade, as a stimulus to investment and economic growth.

EEC missed the deadline

The first sign that new impetus was to be given to the talks came last July, when Mr. Strauss went to Brussels and agreed on a tight new timetable for the concluding phases of the talks with the EEC Commission, which negotiates on behalf of the Nine. Under this schedule, the participants put forward their requests for action on non-tariff and agricultural items by November 1, and the main outlines of the code of conduct negotiations were laid on the table before Christmas. January 15 was the unofficial deadline for the tabling of offers in response to the requests made in November—that deadline has now slipped by a few days. The Community's Foreign Ministers will not be meeting in Brussels until to-morrow to approve the Commission's negotiating mandate. But the hope remains that the decisive stage of the negotiations can be launched at a high-level meeting in Geneva next Monday, at which Mr. Strauss will be leading the American team.

Mr. Olivier Long, Swiss Director-General of the GATT (left), and Mr. Robert Strauss, President Carter's Special Trade Representative.

One of the trickiest issues on the Nine's agenda to-morrow will be a provisional agreement between Washington and the Commission on an average cut of roughly 40 per cent. in industrial tariffs. Participants in the negotiations are a little worried that progress on tariffs has been allowed to run ahead of most other items on the table. They fear that industry and trade unions may react sharply against what looks like such a major breach in protective walls in the present economic climate. To counter such a reaction, officials are now stressing the many other elements that will be included in the final package, including, of course, the reformed safeguards procedures. It also has to be remembered that tariff cuts are unlikely to start taking effect before 1980 and could be spread over as much as eight or ten years. A tariff reduction from, say 10 to 6 per cent. over the best part of a decade is hardly dramatic.

The French Government, which faces crucial elections in just two months' time, is among those most concerned about the possible political impact if the 40 per cent. figure is trumpeted abroad too loudly. For this reason, GATT officials do not expect much further progress on tariffs until after the French elections—assuming, that is, the present coalition is returned to power. Their real fear is that the poll will lead to a Government under M. Francois Mitterrand, the Socialist leader, who was scathing about the Tokyo Round in his 1974 Presidential election campaign, going so far as to suggest that the whole thing be called off. If he were to maintain such a line in office, it would paralyse the whole position of the EEC.

Britain is hardly more enthusiastic than France about the proposed tariff cuts, and has said it will only consider the 40 per cent. figure on two conditions: that the safeguard issue is satisfactorily resolved; and that there is some provision for putting a brake on tariff-cutting if the economic situation gets out of control. One way of doing so would be to arrange that a further positive decision would need to be taken to complete the cuts once the first half had been implemented. The U.S., however, has said that while it could accept a schedule allowing some possibilities for delay, it could not agree to one that would never be completed.

Washington would like to leave the schedule for the tariff cuts till later, while more work is done on the other elements of the negotiations—all linked to each other by a complicated chain of differing individual interests. The Europeans, for instance, will not accept new rules to control state subsidies to export industries unless the Americans agree to introduce countervailing duties in future only if it can be proved that U.S. industry is suffering from cheap imports (a provision that already applies to all other GATT members). The U.S., however, will not agree to this unless the EEC gives it satisfaction on subsidies. The U.S. will not accept the final package unless the Europeans make concessions on agriculture, while the Europeans will not accept it unless the U.S. makes concessions on procedures for customs valuation, to which the EEC attaches the highest importance.

Britain wants it to be possible in future to apply safeguard measures selectively against one or more countries, an idea that is deeply distasteful to free-trading West Germany, which wants a big tariff cut and the dismantling of quantitative restrictions. Bonn has now accepted that selective action may at least be discussed, but maintains that it should only be taken in exceptional circumstances with powerful justification. Japan is in two minds: it has always opposed the idea of selective action for fear that it would usually be at the receiving end; on the other hand, it sees the attraction of being able itself to take selective action against its increasingly dangerous competitors in South Korea, Taiwan, and other low-cost Far East manufacturing countries.

The view of the GATT secretariat is that if Governments are going to take action against other countries' imports, it is better that they should do so within the framework of agreed rules. If selective action is taken, it should only be after consultation, with provisions for supervision and ultimate phasing out. Ideally, action should only be taken with the consent of the country it affects.

If safeguards are one key to the success of talks, agriculture is very definitely another. The U.S. has repeatedly stated that it is not seeking to undermine the foundations of the Community's Common Agricultural Policy in Geneva, but it insists that ways be found of improving its access to both European and third country markets. The EEC has responded with proposals for new international agreements on dairy products (with the backing of New Zealand) and meat (with the backing of Australia). Negotiations for a new wheat agreement have so far largely bypassed Geneva, and it is doubtful how much will emerge on cereals from the Tokyo Round.

The U.S. is showing less hostility than in the past to the concept of international agreements for agricultural products, but it will want more than the Community is offering if it is to satisfy Congress. Influential Congressmen have made it clear that they will only agree to ratify the final package if it provides a substantial boost to U.S. farm exports.

A settling of the differences between the U.S. and the Community is, of course, essential if the Round is to succeed. But the talks could also run into political difficulties if insufficient attention is paid to the demands of the developing countries. The industrialised countries have already made unilateral concessions on tropical products, which many developing countries regard as inadequate, and are unlikely to offer much more in this sector, despite a repetition of their original requests by a number of developing countries.

In addition, however, the developing countries are asking that the principle of "special and differential treatment" for the poorer nations should be written into the GATT rules and applied to a wide range of issues from Government procurement to balance of payments protection. So far the industrialised countries have generally only agreed to accede to such demands "to the extent possible," and the developing countries may well feel that the time has come to adopt a more aggressive public posture in the months ahead.

Washington's original hope that the whole operation could be wound up in the first half of this year is regarded as unrealistic in Geneva. There are even doubts whether the talks can be concluded in the course of 1978. Some GATT officials are worried that almost as soon as the French elections are over, the onset of the mid-term election campaign in the U.S. will cause further delays. If that threat fails to materialise, the hope is that the whole wearisome process can be wrapped up in just under 12 months' time in a grand pre-Christmas parcel.

MEN AND MATTERS

Crashing success down-under

John Bruce, a former barrister who left Lancashire for New Zealand three years ago due to high taxes and because Britain was becoming "Euro-communist," arrives back in Britain to-day to promote what looks like the biggest, best-selling thriller yet to come out of the antipodes. The book, called "Airscream," has already made over $500,000 in advance rights from down-under and America and is about to be launched over here.

Bruce wrote the original 250,000-word version of his novel in six weeks.

He settled down with his family in Wellington but instead of pursuing his bar career he bought six best selling novels, read them through in quick succession and then sat down to write. He later chopped 60,000 words at the request of his publisher, Collins. This took far longer than the actual writing but what is left remains a gripping saga of a mid-air collision between an airliner and a light plane over Wellington harbour, the tangled, emotional lives of the protagonists, political chicanery and the tough legal battle by the widow of the light aircraft pilot to exonerate her husband.

Although Bruce has partially dedicated the book to "God-zone" (God's own country) he is as outspoken about what he sees as the mediocrity of New Zealanders as the decay of Britain.

All is not lost, however. Bruce suggests that New Zealand should follow the Irish example and make the country a tax haven for writers and artists, wants the banks to fund a first-rate national ballet group and generally hopes to turn New Zealand from a Pacific back-water to an artistic and intellectual paradise.

To judge by some of his New Zealand critics this looks like an uphill task. One of the main characters in the book is the airline pilot who is discovered to be homosexual by his stewardess girl-friend. The Auckland Star critic commented that Bruce's characters were credible "except that we are asked to believe that an airline captain — member of a group that New Zealanders palce just one rung down from doctors—is a homosexual." That's the trouble with these novelist chaps—too much imagination.

Making steel out of fudge

Last week's spectacle of a Parliamentary select committee sinking its teeth into one of Britain's major industrial disaster areas may have proved maddening to Sir Charles Villiers and embarrassing to the Government, but it has given considerable encouragement to those back benchers eager to secure greater effectiveness for the committees on which they serve.

Two factors appear to have welded together the at first sight disparate group of Tory young turks — like Michael Marshall and Timothy Renton, tribunite Neil Kinnock, and the Labour moderate Michael Thomas and the rest of the 15-man committee into such a united band of warriors. The first is their well-publicised anger at being denied the sort of information they demanded, even on a private, informal basis, and secondly their success in obtaining the services of three expert advisers compared to the solitary expert budgeted for in most select committee investigations.

The three experts were Tony Cockerill, an academic from Salford University who specialises in making international steel industry comparisons, Desmond Hallahan, the ex-managing director of the Round Oaks steel company and computer specialist James Taylor. In spite of the fact that Tory MP Marshall is an ex-steel manager and Kinnock is MP for a Welsh steel constituency, the committee as a whole admitted to being hampered by their own lack of comparative information on the industry at the outset of their investigations. This improved after visits to foreign steel plants and talks with several irate consumers, but what really proved trumps was the expert help they received in digesting the BSC's own data.

Armed with all this the committee got excited and increasingly perplexed when they fed the BSC's data through their own computer and it unfailingly differed enormously from corporation estimates and forecasts.

It was when they asked for a check as to whether the BSC figures were accurate, or had been subsequently updated that the committee felt they were getting "fudged" answers from BSC.

Having proved what a determined and well-briefed select committee can achieve when it sets its mind to it the next step is to try to obtain for committees the same sort of muscle to enforce subpoena as is enjoyed under certain circumstances by the House of Commons as a whole.

In this the committee members are being opposed most vociferously by Michael Foot who, having made his reputation as the firebrand orator of the Left, has developed over the years into one of the most conservative interpreters of parliamentary rules and procedure.

Fair game

Given the still highly charged atmosphere in the Basque country, where extremist Basque nationalists are continuing their campaign of violence in spite of the new regime's general commitment to greater regional devolution, it is perhaps not surprising that the Government looked askance at the request of a group of Basque hunters. They applied to call their association "the democratic partridge." The Government refused to register them on the grounds that this meant politicising a venerable old pastime.

After thinking about this for a few days they have now come back to the Government for permission to call themselves "the free woodcock." This joke could go on for ever.

Observer

FINANCIAL TIMES SURVEY

Monday January 16, 1978

Corporate Finance

Although the company sector moved into surplus in the second half last year, the overall improvement failed to meet many expectations—a trend which may continue this year even if borrowing increases to meet growing demands for new capital investment.

Demand likely to grow

by Peter Riddell, Economics Correspondent

ST YEAR was one of dis-ɔointed hopes for industry l this year looks like being y slightly better in spite of expected recovery in domes- demand. The rate of growth profits—particularly the over-s components—has slowed vn significantly, and the long-aited movement by the com-ty sector into sustained ancial surplus has not urred.

The check to earlier hopes s reflected a combination of slowdown in the growth of rld economies generally, the e in sterling, and the disloca-n caused by an excessive level stocks in the first half of the ar.

The contrast can be seen by nparing the forecast from ckbrokers Phillips and Drew t spring that U.K. trading ofits would rise by 20 per at. in 1977 to nearly £15bn. th their latest estimate of an tcome for the year of £13.3bn., ise of a tenth. This excludes s estimated contribution m North Sea activities where ofits are rising more or less expected, to a probable total nearly £3bn. in 1977, com-red with £400m. in the pre-us year.

The downgrading of profit pectations reflects a marked wdown in the rate of growth ring the course of last year, has already been shown by results of some major com-nies. Total trading profits of lustrial and commercial com-nies actually declined on a asonally adjusted basis after e first quarter of 1977.

This gives a slightly mis-leading impression since a large part of the profits at the end of 1976 and early 1977 merely reflected the high rate of price inflation at the time and included money needed to finance the increase in value of stocks. Thus gross trading profits (net of stock apprecia-tion) arising in the U.K. went up by 27.8 per cent. between the first and third quarters of last year.

But North Sea oil and gas operations accounted for a quarter of the 28 per cent. rise in industrial and commercial profits in the six months to Sep-tember compared with the pre-vious half-year. Without these operations, profits would have increased by some 20 per cent. on the same six-month com-parison.

World

The main slowdown, or even decline, in published profits has occurred for international com-panies involved with products or commodities traded through-out the world. Examples are GKN and ICI and this group of companies has been affected by the slow rate of growth of world trade, by over-capacity and stock problems in certain markets and by the impact of the rise in sterling both on the translation of overseas profits into sterling and on export profitability.

These problems are likely to have been reflected not only in the published figures for profits but also in underlying profitability as measured net of stock appreciation, where there was probably a slowdown during the fourth quarter.

During the first half of last year, when there was only a relatively small rise in profits net of stock appreciation, the financial position of the com-pany sector was unfavourably affected by the large and unexpected rise in the level of physical stocks of goods. This seems to have been partly in-voluntary since demand was more sluggish than had been expected. The result was that industrial and commercial com-panies had a financial deficit of £1.35bn. in the first half of the year, compared with £972m. in 1976. This shows the amount they had to raise externally after paying taxes and divi-dends and financing capital in-vestment and stocks.

However, this trend was reversed in the third quarter when the physical level of stocks was reduced. The amount required for stock appreciation also fell sharply with the result that the company sector moved into a surplus of £377m., almost for the first time since 1972-73. The surplus may turn out to be slightly smaller in the fourth quarter, and it looks likely that for 1977 as a whole there will be a deficit of a few hundred million pounds.

This contrasts with pro-jections of last spring by Phillips and Drew of a surplus of £1.2bn. and by Wood Macken-zie of a surplus of £1.8bn. This is an extremely diffi-cult figure to project and the past results are often sub-ject to major revision — not only of size but even sometimes of direction.

This deficit has not caused any financial problems for the company sector. Thus although bank borrowing by industrial and commercial companies rose further during the year it was not much more than was neces-sary to match inflation. There was also a continuing contribu-tion from rights issues of equity totalling about £800m. as in the previous year.

The Department of Industry's survey of company liquidity has shown that the liquidity of large companies improved last year. This may partly reflect inflows from abroad, especially from foreign parent companies to their U.K. subsidiaries, as a re-sult of the turnround in attitudes to sterling in foreign exchange markets.

The prospects for this year are still uncertain. The recent Bank of England Quarterly Bulletin suggested that company profits should continue to re-cover until at least the early part of 1978, with industrial costs rising relatively slowly and demand reviving. But the company sector is likely to re-main in financial deficit, des-pite relatively subdued growth in capital spending.

Profits from U.K. activities (about 50 per cent. of the total) should certainly improve in view of the expected upturn in industrial output and de-mand. A slight check could be provided by the growing num-ber of Price Commission in-vestigations. In addition, there is expected to be a further sharp growth in profits from North Sea operations up from £2bn. in 1977 to around £3.5bn. this year.

It is much less easy to project the rate of growth of profits from exporting (about 15 per cent. of the total) or from overseas operations (around a third). This will depend both on the rate of growth of the main industrial economies—probably higher in the first than the second half of the year—and on the performance of sterling.

The main brokers' forecasts do not vary significantly. Wood Mackenzie, for example, has projected a rise in the pre-tax profits of industrial and com-mercial companies from £17.5bn. last year to £20.8bn. with North Sea oil accounting for more than half the rise. Phillips and Drew has forecast an increase from £18.2bn. to £20.3bn. on the same basis

Although this implies a halving in the rate of growth of total profits to roughly 11 per cent. compared with 1977, there should be a further im-provement in the quality as a result of the slowdown in the rate of price inflation. Both brokers estimate a fall in stock appreciation from around £4.5bn. last year to between £3bn. and £3.5bn. in 1978. Nevertheless the rate of growth of total profits net of stock appreciation is, according to Phillips and Drew, likely to slow from over 40 per cent. last year to 25 per cent. in 1978, and very much less if North Sea activities are excluded.

There is still a long way to go to raise the level of profit-ability to anywhere near the figures of the early 1970s. The share of net profits in net dom-estic income in the first half of 1977 was little more than half of what it was five or six years ago.

The increase in North Sea production is likely to result in a sharp rise in profits due abroad—from around £1.5bn. to £2½bn.—while the improvement in profits and lower stock relief will push up tax payments. The possible end of dividend control may also increase dividend payments more rapidly than in the recent past.

But the main drains on cash flow are likely to come from an end to the physical destocking of the second half of 1977 and some stockbuilding—possibly of between £800m. and £1bn.—as the level of economic activity rises. There will be a large increase in the amount of fin-ance needed for capital invest-ment. Although spending in the North Sea is likely to fall, a rise in manufacturing invest-ment of a tenth in real terms, and rather more in current prices, is expected.

But there are differing views about the size of the rise. Wood Mackenzie has projected an increase in capital spending from £9.5bn. to £11.2bn., while Phillips and Drew has forecast an increase from £9bn. to £10bn. These differences largely explain the broker's contrasting estimates of the overall financial position in 1978—a deficit of £1.5bn. and a surplus of £300m. respectively. But there is general agreement that North Sea activities, which have been in substantial deficit during the period of heavy investment, should now be in balance or small surplus.

Attitudes

The implications for the total amount of finance required externally depends in part on how companies alter their pattern of payments to reflect changing attitudes towards sterling. Last year, this probably left sterling bank deposits higher and bank borrowing lower than otherwise would have been the case.

The outlook for 1978 is impossible to predict but it looks likely that even if rights issues remain at a fairly high level—of between £500m. and £1bn.—total bank borrowings will rise more sharply than in 1977. At the same time the build-up in cash bank deposits may be smaller than in the past few years.

Government is the really big spender when it comes to financial support for industry, with an extremely wide range of grants, concessions and incentives. COLIN JONES here discusses the various kinds of aid available, and the extent to which business has come to rely on it.

Government aid

IT WOULD have been difficult to credit a few years ago that the present Government would become the biggest provider of cheap money that industry has probably ever known. It would have been only a little less surprising to have been told that one of the main vehicles through which this is being done would be the Industry Act which the Heath Government passed in 1972.

Yet, according to the figures set out in last week's public expenditure White Paper the Government is proposing to spend rather more than £1½bn. in the coming financial year in the pursuit of its regional development industrial strategy and employment creation or preservation policies. This is on top of the further £1bn-plus that it proposes to devote to industrial innovation, exporting, the labour market and various other industrial support services. These figures also exclude the fiscal cost of the special tax relief Mr. Denis Healey decided to provide for stock replacement costs within a year or so of assuming the Chancellorship.

The increase in the total cost of aids to industry which the overall figure of £2.9bn. represents does not fully emerge from the tables set out in last week's White Paper. Indeed, the document indicates that just about the same overall amount in real terms was being spent in 1972-73 on support for trade, industry, and employment.

But the straightforward comparison is misleading. The earlier figures included the large sums that were still being paid out in investment grants which had been replaced by investment tax allowances. They included the further substantial sums which were being paid to the nationalised industries as compensation for price restraint. They included the cost of supporting the aerospace and shipbuilding industries which, now that they have been taken over by the State, come under a different heading. And they included the very substantial sums which the refinancing of fixed rate export credits had been costing the Government and which are now being carried more and more by the banks.

But, if one makes allowances for all these changes, then one finds that the total amount the Government spends on regional development, employment preservation, and on selective assistance to industry has increased in real terms by between four and five times in the past five years. A total of more than £1½bn. may seem relatively small beer when set against industry's overall annual capital requirements, especially at a time when money can hardly be said to be difficult to get. But it is still a very considerable sum especially when one considers that much of it is provided either in the form of grants or on concessionary terms.

Indeed, the number and variety of aid, grant, and subsidy schemes which are now available to industry has been proliferating with almost bewildering confusion. One recent count came up with a total of no less than 87. This is not the place to set them all out in detail. Indeed, one should perhaps note that there is no single point in the whole Government machine where one can find out about all the schemes by which businessmen can obtain state finance—which in itself is perhaps a commentary on their profusion.

But if one is considering a project in one of the assisted areas—which basically cover the whole of Scotland, Wales, Northern Ireland, and those parts of England lying north of a line between the Wash and the Mersey or west of Exmoor and Dartmoor (in other words, rather more than 40 per cent. of the U.K. population and 60 per cent. of the land area)—then one can obtain a flat-rate tax-free regional development grant for most kinds of investment in manufacturing projects, plus a range of loans, interest relief grants, office and factory removal grants, key worker relocation assistance, training grants, low-cost factories, and yet further help from the Scottish or Welsh Development Agencies.

A business located anywhere in the U.K. may be able to obtain financial assistance in the form of loans, grants, or bank guarantees under the various sectorial aid schemes now being operated, the selective investment scheme, the Science and Technology Act, 1965, or from the National Enterprise Board.

List

In addition, there are loans or grants available from the institutions of the European Community, grants from the U.K. Government for keeping on workers who might otherwise become redundant, grants for taking teenagers off the unemployment register, grants for installing private rail sidings, and so on. Indeed, the list of schemes seems likely to go on increasing for another £24m. is provided in the latest public expenditure White Paper for the coming financial year and £55m. in 1979-80 (both figures are at 1977 survey prices) for expenditure on further and as yet unannounced financial support to industry. As the White Paper explains, the "aggregate of firm expenditure commitments in Department of Industry programmes does not reflect the full measure of the Government's intentions under industrial strategy."

All this munificence is no doubt being provided with the best of intentions. But one is bound to ask what precisely it is achieving. As has already been remarked, it is not as if industrial firms generally are hard up for cash. The selective investment scheme is supposed to be limited to projects which by reason of their timing, scale, or nature would not have been undertaken in the absence of government assistance. But it is not very hard for industrialists, if offered the opportunity of cheap money with no strings, to find ways of using it which meet government officials' satisfaction.

A large part of the £600m. or more which has now been committed to selective financial assistance schemes under section 8 of the Industry Act 1972 has been put into rescue operations for individual companies. Many of these have failed because of weak management or a lack of adequate financial or marketing appraisals, while others have simply had the effect of postponing the inevitable rationalisation and so prolonged the instability of the market.

The temporary employment subsidy, upon which well over £200m. has been spent in the current financial year, is said to be a cheap way of preserving jobs if one allows for the offset in reduced unemployment and social security benefits. But there is evidence that jobs have been saved in subsidised concerns at the expense of sales by, and jobs in, non-subsidised concerns.

Regional policy is said to command primacy but the proliferation of generalised aid schemes throughout the country has reduced the discrimination in favour of the assisted areas and thereby helped to diminish the effectiveness of regional policy. The regional employment premium has been abolished in order to accommodate a shift towards more selective forms of assistance. But the biggest current outlay—more than £400m. a year—is on the unselective regional development grant; and both these grants and the selective regional aids provided under section 7 of the 1972 Act are much more costly—in some cases grotesquely so—in terms of cost per job than the system of industrial development certificates.

It is true that many other governments have also been increasing their expenditures on aids to industry in response to the pressures generated by the world trade recession. But Britain has been one of the biggest spenders, and, besides doubting the efficacy of industrial subsidies, one cannot also ignore their impact on international trade.

For the use of subsidies has been one of the facets of the trend towards protectionism which we have seen creeping in during the last few years. The European Commission in Brussels has been trying, not very successfully, to limit the harm that aids to industry can do to intra-Community trade. But it is particularly concerned about the use of operating subsidies, such as the temporary employment subsidy, extravagant aid schemes like the regional development grant, and those which seem to have little real justification such as some of the sectoral aid schemes.

Pressure could also come from another external source. In a year's time the U.S. Trade Act, 1974, will oblige the U.S. authorities to impose mandatory countervailing duties on all U.S. imports receiving a production or export subsidy in the country of origin. One should never forget that this country's exporters would have a lot to lose if the present system of trade liberalisation were to be seriously undermined by a lapse into protectionism.

The small business has suddenly been rediscovered as one of the main reservoirs of entrepreneurial skill and initiative. JOHN ELLIOTT, Industrial Editor, looks at what is being done to foster talents in this area.

Small companies

DURING THE past six months the plight of small companies has become one of the main political topics for the Government, for other political parties, and for the considerable number of organisations and pressure groups which speak for the small businessman. The Prime Minister has appointed Mr. Harold Lever, Chancellor of the Duchy of Lancaster, to co-ordinate Government work in this area and the first fruits of his activities emerged in the October economic package.

The Conservative Party has launched its own policy pamphlet on the subject and built up the activities of its Small Business Bureau, while among a plethora of representative organisations the CBI has tried to dilute its "big business" image by creating a new small companies directorate within its organisation. Finally, the Wilson Committee on finance for industry devoted much of its interim report, in December, to the subject.

There are various reasons for this surge of interest in a sector of the economy that has made little political capital in the past. They include a general swing of public opinion against the inefficiencies of impersonal large corporations, and a feeling that it is in small organisations that the entrepreneur and innovator can thrive. At the same time there is a growing fear among Ministers that the public sector and the big private sector corporations will be more concerned in the next few years with shedding labour than with expanding their work forces.

As Mr. Lever has pointed out, this leaves the country's million small businesses, which already employ a quarter of the national workforce, as the main area for creating jobs and so cutting the number of people unemployed. There is also a growing awareness that the decline of small companies, both in manufacturing and retailing businesses, has accelerated the blight of inner city areas.

On top of these and other practical considerations, there is the political mileage to be made for a Labour Government in the run-up period to the general election. It can lose little and gain a lot by embarking on innovations which have little to do with trade unions and Socialist theory and a lot to do with easing personal taxation and encouraging the down-trodden "little man" in a mixed economy.

If at the same time the Government appears to be re-opening loopholes for tax-dodgers and encouraging employers who have little time for trade unions or for progressive employment policies, then it can easily correct the balance in a year or so if it should win the next election. And in any case, Mr. Lever has foreseen this pitfall by making it clear that he does not want to make small businesses an area of second-class employment by allowing them exemption from employment legislation.

Sceptical

But despite all this political goodwill, most small businessmen are fairly sceptical about what is happening and the CBI has repeatedly made the point recently that there may well be little point in any of Mr. Lever's activities if what he gives is to be taken away by some form of wealth tax.

This goes to the heart of the problems of small businesses because it is the tax system which has created most of their problems by removing the incentive either to start up new businesses or to expand them, and also by whittling away the personal wealth of families which might be provided to help a business start up. As one activist in this area puts it, "The Aunt Agathas who would help a favourite nephew to start up in business no longer have the cash to do so, and the small business has therefore lost a primary source of venture capital."

This means that the problems of financing small companies can be tackled in one of two primary ways. Either one can adopt a fundamentalist approach and reform the tax system, against the trends of recent years, so that the entrepreneur can flourish and personal wealth be accumulated. Or one can merely tinker with the tax system in special areas such as capital transfer and capital gains tax, while trying at the same time to create alternative sources of primary finance through city institutions and State agencies.

It is at this point that the difference between the main political parties in their approach to the problem becomes apparent. The Conservatives broadly favour a more fundamentalist approach which would also include special regimes being created on employment legislation and such matters, with small companies being given a special designation as "proprietary companies" in law. A Labour Government is more likely to take the institutional and state aid approach. So while both political parties may be jumping on the same bandwagon, their favoured solutions are ideologically different.

Equally, however, both

CONTINUED ON PAGE IV

The Wilson Committee enquiry has not come up with any revolutionary ideas about the function and contribution of City institutions to industry's financial needs. But, as NICHOLAS COLCHESTER indicates below, it has provided some stimulus to thinking.

The City's contribution

Only two years ago the relationship between the City and British industry was a topic for emotional and often ill-informed discussion. To-day, the fire has gone out of it. Britain has experienced a startling financial recovery. The ruling Labour Party's leadership has grown more "capitalistic" in its thinking. Any flickers of passion that might have remained have been buried under the mountain of information and opinion assembled by Sir Harold Wilson's "Committee to review the functioning of the financial institutions."

This committee observed in its own summary: "The main themes of the evidence are these. Few in industry or the institutions believe that the way the financial institutions operate has deprived firms of funds they should have had, or has constrained investment. Low productivity, low profitability, low demand and problems caused by Government policies are regarded as far more important factors behind our industrial performance.

The Wilson enquiry grew out of an ideological attack on the City, and the City and industry closed ranks in the face of it. Their evidence was pitched to drive these main themes home. It did not devote much time to discussing the arguments and sources of dissatisfaction that certainly exist within the City—the competition for funds between the banks and building societies for instance. In retrospect the participants could have been freer in their exchange of views. For there was a singular lack of evidence couched in critical terms. Only the Trades Union Congress and the National Executive Committee of the Labour Party produced substantial attacks on the status quo.

But although the summary of the evidence revealed no fireworks or surprising panaceas for British industry's ills, it was certainly a good deal more than a white-washing job. It drew attention to a problem—the uninviting atmosphere for the small company in Britain—which is fully dealt with elsewhere in this survey. It drew attention to a potent force for the future—the rise in institutional control of the deployment of savings. And it contained a great number of suggestions from both industry and the City of small changes and innovations that could improve Britain's financial system.

In its broadest terms the picture painted in the Wilson Committee's report is of reticent and risk-averse British industrial borrowers, of a conservative banking system that is, however, changing its ways quite quickly, and of investing institutions whose increasing power is under fire from all sides and which is viewed as a threat to the proper functioning of the stock market.

Stopper

The industrial borrowers are steadily making less profit in terms of return on capital employed, and remain very wary of high gearing ratios. Inflation is shown in the evidence to be an investment stopper. First, it increases the cost of holding stocks and thus reduces the cash available to companies for fixed investment. Second, high and fluctuating rates of inflation have increased the uncertainty of business forecasts and have even encouraged some companies to discard discounted cash flow analysis. Third, managements are unwilling to borrow long when interest rates are high, even if the real interest rate is negative.

The committee mentions two possible correctives here: It notes that long-term loan stocks issued by companies are at a disadvantage relative to Government gilt-edged securities because, unlike gilts, their holders are not exempt from capital gains tax. They thus require a higher yield to be attractive. The committee also records that tax rules on franked and unfranked income make it difficult for unit and investment trusts to invest in industry via loan stocks. In other countries corporate bond funds flourish.

Turning to the British banks the evidence notes that they are prepared to lend to industry much more than industry will currently accept, and that since 1971 their readiness to lend medium-term money has increased importantly. One suggestion that is aired here—for more active times when loan demand is higher—is a refinancing facility at the Bank of England to help banks square medium-term lending with their aversion to borrowing short and lending long. The London clearers have suggested such a backstop, but the Government remains wary of it.

The testimony from the American and Japanese banks points out how a high standard of corporate information can change the basis of bank lending from a "liquidation approach" to a "going concern approach." The U.S. banks explain that the stringent information requirements of the Securities and Exchange Commission in the U.S. enable the American banks to lend more boldly to industry. They suggest that British industry would be easier to lend to if it revealed more about itself and registered its loan covenants. The Japanese banks concur.

The rise of the investing institutions shows itself most clearly in the growing proportion of British industry which the institutions own. Between 1963 and 1975 the proportion of U.K. shares held by them grew from 30 per cent. to 48 per cent. The committee refers to this as a major structural change in the channelling of savings: for an increasing proportion of saving is being managed by institutions whose primary responsibility must be to savers rather than to borrowers.

Both the City's brokers and the National Executive Committee of the Labour Party agree that this rise of the contractural savings institutions at the expense of personal savings is having an adverse effect on the stock market. The institutions display a "herd instinct" and there are fewer and fewer individual investors to "buck the trend," the NEC claims.

At the same time the committee records much discussion of the so-called "proprietorial gap"—that is the way in which the proprietorial functions that used to be discharged by entrepreneurs and individual shareholders have not been fully taken over by to-day's shareholding institutions.

The institutions carefully explained the difficulties they have in getting involved in management—their lack of staff, their problems of inside information. But the Treasury suggests that British institutions remain more aloof from industry than their counterparts in other countries. The Bank of England says it is in favour of greater contact. The Confederation of British Industry is currently studying the whole relationship between company and shareholder.

It seems possible that it is this discussion of the power and responsibilities of the pension, insurance and investment funds that the Wilson Committee's inquiry will have its most far-reaching effect when the committee draws its final conclusions from what it has learnt.

Small companies have so far emerged as the business and financial sector most directly affected by the Wilson Committee's activities. This is because, in the words of the report, "if there are problems in the supply of finance to industry, this is where they are likely to be found." The decline in individual wealth which has accompanied the rise in influence of the investing institutions shows itself most clearly in the lack of small business sponsors and entrepreneurs.

The committee's focus on small firms has tied in with, and given impetus to, this Government's discovery of the small business as a deserving, employment-begetting, ideologically unexceptionable cause. This focus has provided a topical raison d'etre for the committee—given that it did not come up with more sensational and original discoveries—to tide it over until it comes up with its final conclusions on the City's financing of industry.

The committee is to devote further attention to the Government's "industrial strategy," to methods of bank lending, to the scope for reviving long-term loans, to the benefits of North Sea oil money, and to the problems of small companies. But for the City the most important thing to watch will be the committee's further inquiry into the role of the investing institutions.

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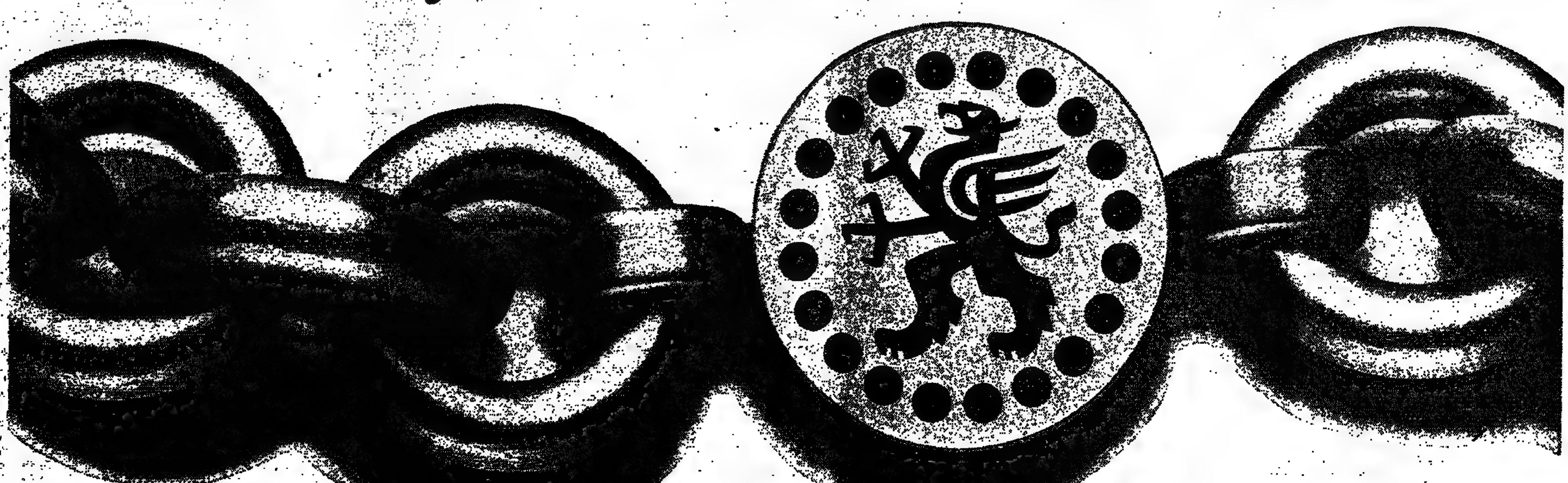

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Ever since the war attempts have been made to fill known gaps in sources of industrial finance by the setting up of special institutions with the backing of the Bank of England and other bodies. Here MARGARET REID sums up the present situation.

Special institutions

JUST HOW uncertain, and indeed hazardous, the business of attempting to fill gaps in the supply of funds for industrial investment can be is illustrated by the recent experience of Equity Capital for Industry, the City's equity bank, and the bank-backed Finance for Industry.

Equity Capital, which was set up, after much controversy, by a wide group of financial institutions in mid-1976 to supply the supposed shortage in the availability of capital from the market has, some 18 months later, invested only £5m. of the £40m. with which it was established. This alone is eloquent commentary on the clamour in some quarters two or three years ago that £500m. would be needed to equip it for its proper role.

Moreover, any suggestion that its investments have been held down by an over-cautious approach is effectively knocked on the head by the fact that its very first investment, £1¾m. in the Bond Worth Holdings carpet group, has already been lost. Five months after the cash was put in, in March last year, along with funds from other institutions and the National Westminster Bank, Bond Worth collapsed with a deficiency of more than £20m.

This experience has underlined the difficulty, pointed to from the outset by opponents of the equity bank concept, of identifying companies which have a real need for new share capital but which, while they cannot raise the cash through normal channels, still offer the prospect of long-term viability and prosperity.

After its traumatic debut with Bond Worth, Equity Capital, which made two other investments — of £¾m. in the motor trading concern Renwick Group and £2.65m. in UBM, the builders' merchants, shortly afterwards — has preserved a low profile and is giving plentiful consideration to its future policies before making any more moves. This is not to say, however, that a useful role for it may not develop as time goes on.

Finance for Industry, which is owned by the Bank of England and the big banks, whose Industrial and Commercial Finance Corporation arm backs smaller companies (and which itself has a stake in Equity Capital) established a £1bn. medium-term lending facility to larger concerns in early 1975 at a time when the cash famine in industry was severe. However, to date, three years later, only some £270m. has been committed for lending under the scheme—although initially Lord Seebohm, FFI's chairman, expected, to nobody's surprise, that the whole £1bn. would be needed within two years.

Reasons for the slow progress of both Equity Capital's activities and FFI's medium-term lending are to be found partly in the sluggish trend of industrial investment — which crept up some 7 per cent. last year after long stagnation—and in the rapid easing of the monetary climate since 1974, when both these projects were conceived to relieve a then exceptionally tight cash position in industry. Moreover, there has also been a proliferation of other institutions seeking to give direct backing to industrial ventures. The State-owned National Enterprise Board has had a prominent role here, while certain pension funds and merchant banks have mobilised resources for the purpose. Moracrest Investments, formed by Prudential Assurance, the Midland Bank and the British Gas central pension funds, to back mainly private companies, is just one example of a new private sector investing agency in the field.

Rivals

In short, the supply of investment funds has tended over the past two years to exceed the suitable outlets and there has often been competition in particular cases between the different bodies to make an investment. Equity Capital and the NEB, for example, were rivals to assist the Sheffield steelmaker Dunford and Elliott; neither, in the event, did so, since Dunford was taken over by Lonrho.

For two years or more, in effect, the financial and industrial climate has been such that companies and enterprises have been operating in a buyer's — or borrower's — market, while the suppliers of funds have been vying for business in the atmosphere of a seller's market on their side.

The Wilson Committee, in its progress report in December on the financing of industry and trade, recognised the position. "Few in industry or the institutions believe that the way the financial institutions operate has deprived firms of funds they should have had, or has constrained investment" said Sir Harold and his colleagues. "Low productivity, low profitability, low demand and problems caused by Government policies are regarded as far more important factors behind our poor industrial performance."

The fact that the supply of investment funds is at present particularly strong in relation to demand for them does not mean that the position could not change with the economic revival expected in Britain in 1978 and the years ahead. Such a development could well bring the facilities of both FFI and Equity Capital more fully into play.

FFI, created by a merger in 1973 between ICFC and the FCI lending institution — which had both been in operation since just after the war — has now been in operation long enough for its role to have emerged pretty clearly. In essence, the FCI arm of the group specialises in channelling medium-term loans to borrowers which are viable and creditworthy, but which either cannot or do not wish at the moment to raise it through other routes.

FCI has shown considerable flexibility in adapting to industry's needs. It provides various types of loans, often unsecured, to industry for 10-20 years—a period which was sometimes singled out in the past as one where providers of funds were criticised as reluctant to lend. There are also choices as to the interest rates terms, with an option available between fixed and flexible bases.

Demand has been limited, with many companies having recourse first to their banks—FFI's owners. But in the nine months to December, 1977, £50m. has been committed and £36m. lent by FCI. Recent loans have included £8m. to Acna (U.K.), the British subsidiary of the Italian chemical group Montedison to help finance its part in a joint venture with ICI at Stevenston in Ayrshire, and £2m. to Redfearn Glass. Of demand generally, however, the Wilson Committee observed last month: "In current economic conditions larger firms are showing little interest in FCI's facilities, and in spite of the recent fall in interest rates FCI do not see a major resurgence of demand for their loans until rates have stabilised at lower levels and private sector investment increases."

But a sign of the revival of activity already noticeable among smaller concerns has been the marked quickening in applications for share and loan capital received by ICFC, which specialises in nurturing growing companies, sometimes for ultimate launch on the stock market.

In the nine months to December, 1977, ICFC invested £33m., against £27½m. in the whole of the year 1976-77. At March 31, 1977, ICFC had a portfolio of £212m. in shares and loans.

The FFI group has also recognised industry's requirements by providing money through equipment leasing arrangements and by supplying venture capital for certain new—and not always ultimately successful—ventures.

Equity Capital, for its part, is a much newer enterprise with a less completely defined role and has had a trouble-vexed start with the Bond Worth affair.

But a great deal of careful exploration into its appropriate role is being conducted by its Board of eminent City men and industrialists under Lord Plowden, the chairman, and by Mr. Alan Barrett, the chief executive.

Equity Capital's evidence to Wilson is one of the most readable documents submitted to Sir Harold's committee, and it will be interesting to see how far the thinking illuminatingly outlined there can eventually be translated into fact. Equity Capital's role is seen as being in relation to companies with a worth of £1m.-£20m. (of which there are about 1,000) and as involving the taking of share stakes of between £½m. and £2m.

The thinking is that holdings would be taken for periods of three-to-five years with the understanding that, in return for a flow of information to assist monitoring of the investment, these stakes would be retained and not sold for the agreed period.

Precedent

A recent development in Equity Capital thinking has been the idea that shareholdings in medium-sized and smaller companies might be subscribed for at a price more advantageous to the company than the cut-price level at which rights issues to shareholders generally are made. There was some precedent for this in the investment in UBM at a discount of only 6 per cent. on the market price. Investments of this kind could be highly beneficial to recipient companies—but it remains to be seen how far such arrangements generally could be hammered out with adequate provision for supervision of the investment and with an appropriate balance of justice for both sides.

At the moment, it may seem, at first sight, surprising that some £35m. of Equity Capital's funds out of the £40m. capital are still held in reserve awaiting investment. However, undoubtedly Equity Capital's slow start is partly due to the present very easy money climate; it is known that some initial applications for funds were withdrawn when the companies concerned found that it was, after all, possible for them to tap the stock market for rights issues.

Final judgment on whether there is a real role for a body like Equity Capital—a subject on which some institutions had strong enough doubts for them to abstain from backing the venture—will probably be suspended for a considerable time. It is likely to be two years at least before the shareholding institutions reappraise whether there is scope and a long-term future for their new offspring.

Small companies

CONTINUED FROM PAGE 11

parties will do something for small businesses and one possible direction for action emerged in the interim report from the Wilson Committee. This described small businesses as being important to the economy "as a source of enterprise and innovation: as the seed-bed for the large companies of the future; as providers, often flexibly and efficiently, of a wide range of goods and services; and as extensive employers of labour."

Turning to finance, the report aired disagreements in the evidence it had received about how difficult it is for small companies, which can often appear to be riskier enterprises than larger concerns, to persuade clearing banks to agree overdrafts without adding up to 3 per cent. to interest rates. There is also a special problem when a new business wants to expand quickly.

Criticism of the banks' unhelpfulness towards such problems among small companies has been growing in recent months, but the Wilson Committee nevertheless concluded: "We must record that the overwhelming impression given by the evidence is that the overdraft is a relatively cheap and convenient form of finance for the small business, and that sound and profitable companies seldom have difficulty in getting the facilities they need."

Small companies often prefer overdrafts to a formal term loan which may be more expensive and contain more onerous repayment conditions. The main source of longer term loans is the Industrial and Commercial Finance Corporation (a subsidiary of Finance for Industry) which loans sums as small as £5,000 with repayments from seven to 20 years.

Loth

The more serious problem is thought to be the "equity gap" which has grown because, devoid of the "Aunt Agatha" source of funds, the small businessman is loth to surrender equity in his enterprise for fear of reducing his personal control and financial rewards. Nevertheless there are a number of private sector institutions which provide such capital for small firms and pension funds are taking an increasing interest in the subject.

But possibly more important than the lack of finance a serious lack of knowledge and information about where small firms can find money. Organisations such as the National Enterprise Board, which occasionally invests in small and medium-sized companies, report a flood of queries from small businessmen who have found their local bank manager less than well informed and who are not aware of alternative sources of finance.

The clearing banks told the Wilson Committee that they were trying to improve their information and the Government and others are also trying to plug the gap. There have also been suggestions that a special organisation should be set up, maybe along the lines of the Small Business Administration in the U.S.

In its conclusions the Wilson Committee recommended four main areas for further study: the availability of venture capital for new projects, of loan finance, of equity finance, and of information about financial facilities. One aspect of the loan finance idea has been under study in the Department of Industry for some time and is being considered by Mr. Lever. This is provision by the Government of a State-backed guarantee scheme which would encourage banks to take a less cautious approach to lending to small businessmen. The Government however is concerned that it might consequently become saddled with the worst non-viable risks.

So there are several ideas being considered to help the small businessman find the cash he wants and there are also to be changes in capital transfer and other taxes proposed by Mr. Lever. The small businessman may therefore find his lot a little easier as a result of the current political activity, even if broader political and social trends mean that the "Aunt Agathas" who funded him in the past are gone for ever.

In a good year for Britain's exports as a whole, corresponding advances have been made in export financing. LORNE BARLING reviews the successful switch into foreign currency and other landmarks of 1977.

Export credit

THE GENERALLY successful transition from sterling to foreign currency financing of an increasing proportion of UK exports has been the most important change in a year which has been outstanding for exports in general and seen considerable fluctuation in currencies.

Although the foreign currency scheme was introduced by the Export Credits Guarantee Department (ECGD) at a time when the worst downward pressures on sterling were over and drew a fair amount of criticism from both buyers and exporters, it has proved workable and been accepted remarkably quickly.

As ECGD points out, it is of interest to look back at the conditions of November 1976 which gave birth to the scheme and compare them with those of today. At that time there was concern about the Public Sector Borrowing Requirement (PSBR) burden of sterling refinancing, the public expenditure burden of the interest subsidy on fixed rate export credit during a period of high sterling interest rates, and balance of payments outflows linked to a depreciating pound.

The scheme was therefore designed to relieve the pressure on PSBR by not offering a refinancing facility but a contingent take-out to protect the lenders against the risks inherent in going to the interbank Eurodollar market for their funds. This removed the interest subsidy by relating interest make-up to the low Eurodollar interest rates then prevailing and brought an early inflow to the capital account of the balance of payments.

More recently and in line with the same Government policy of savings on PSBR, new arrangements have been concluded with the clearing banks on sterling financing, under which they will take a substantially higher proportion of export financing on their own books and at the same time open up the sterling buyer credit business to British registered foreign banks. Sterling interest rates have also dropped, thus reducing public expenditure on the fixed interest rate subsidy.

Narrowing

All in all, it has been a good year for the Government in this respect, but the narrowing of interest rate differentials between sterling and Eurodollars, while reducing the public expenditure advantage of foreign currency over sterling, must be seen against the background of the very long periods over which ECGD is committed to interest make-up on individual cases and the fact that historically Eurodollar rates have run below sterling rates.

However, it is also very relevant that the current increases in the British reserves position are to a considerable extent "hot" money whereas the effect of the currency scheme is to show an early addition to the capital account side.

Since the first foreign currency contract went through in April last year, ECGD has now guaranteed loan agreements bringing the total dollar finance provided by the end of last year to more than $500m. Further loans approaching $4bn. and DM109m. are in active negotiation, of which about 10 per cent. are likely to come to fruition.

On the question of fixed rate sterling finance, the previous arrangement whereby finance has been provided by clearing banks and the Government has made up the difference between the fixed rate of interest and the market rate (with further Government financing of net lending in excess of a certain percentage of banks' current account balances) has now been replaced.

Under the new scheme the banks will provide all the necessary financing for export credits up to and including five years. This means that they will be refinanced for amounts due for repayment more than five years after the commencement of the credit.

As a result, virtually all supplier credits, which are only rarely arranged for periods of more than five years, will be financed by the banks. In the case of buyer credits, where the term of the loan usually exceeds five years, the banks will also carry the first five years' financing on their books.

Only that amount which matures after five years will be refinanced and it is estimated that the new arrangements will reduce the burden on public expenditure by some £200m. to £300m. in 1978-79. But the agreement also allows all authorised banks in the U.K. both to provide finance and lead lending syndicates.

Although this appears to be generally agreeable to the clearing banks, the accepting houses have voiced some anxieties on the grounds that the foreign banks, already allowed to participate in foreign currency buyer credit financing, will have the edge over them through their ability to provide finance and lead lending syndicates.

Burden

However, the clearing banks will hopefully be able to offset to some extent the greater burden on medium and long-term business by that part of the agreement which allows them to charge a higher rate of interest on short-term export finance, which accounts for around 80 per cent. of total ECGD business. The rate of ½ per cent. above base rate has been increased to a minimum of ¾ per cent., which will make this finance more expensive for exporters.

In the field of short-term export business (goods sold on up to six months credit) ECGD is now covering U.K. exports at the rate of £12bn. a year, compared with less than £10bn. in 1976 and is about double the value of short-term business insured by ECGD two years ago.

ECGD said that credit limit applications have been flowing in at the rate of more than 1,000 a day, but expressed some dissatisfaction that many exporters are failing to make use of the discretionary limits they are able to take on new export business, thus unnecessarily increasing the load on ECGD.

These wider discretionary limits were introduced last year for the express purpose of streamlining procedures to help the policyholder to seek, win and conclude export contracts with a minimum amount of fuss from the insurance point of view.

The new limits allow exporters to take on up to £50,000 worth of new business for each buyer (against £2,500 under the old limit) and give them scope to raise limits well above that figure on the basis of satisfactory trading experience. ECGD finds that a third of all credit limit applications received are within discretionary limits.

Another move by ECGD made late last year was the reduction of the minimum limit for export contracts qualifying for the bond support scheme from £1m. to £500,000. The lower limit is aimed at enabling ECGD to give help for a wider range of contracts entered into by exporters of capital goods whose overseas buyers insist on the provisions of bonds as a condition of contract.

Since the introduction of the bond scheme in early 1975 (covering performance, tender, advance payment and progress payment bonds) more than 80 guarantees have been issued in support of overseas contracts worth £1.2bn. The demand for this form of cover has grown considerably in recent months. Cases under consideration involve U.K. export contracts valued at more than £3bn. Some 80 per cent. of contracts are with buyers in the Middle East.

Less success has been achieved with the cost escalation scheme, also introduced in early 1975 at a time of high inflation as a temporary measure to give a limited amount of protection to exporters of capital goods against cost increases above a certain threshold. Initial response was that the scheme was too complex, and less than 10 policies have so far been issued.

The scheme has had underlying constraints such as the ability to cover only certain costs incurred in the U.K. Items such as foreign costs and non-U.K. subcontracts are ineligible, as are profits, fixed elements in overheads and contingencies. It was therefore decided to introduce in appropriate cases a flat rate reduction from the U.K. element of the basic contract price in order to determine the amount upon which cost escalation support is based.

Public expenditure constraints and increasing international criticism and scrutiny of such schemes are strong reasons why it cannot be extended in a number of ways suggested by industry. However, the scheme will be under review in the early part of this year and there is concern in some sectors about its possible withdrawal.

Scheme

A long-suggested scheme to assist British exporters in bidding for "jumbo" contracts of £50m. or more was also announced at the end of last year, following long discussions on the possible involvement of the commercial insurance market. After a study carried out by Sir Henry Benson of the Bank of England, it was decided that the risks were too great for the commercial market and ECGD stepped, or was perhaps pushed, into the breach.

The arrangement, to be run on an experimental basis for three years, will provide "joint-and-several" insurance cover for consortia or lead companies and contractors, against the possible failure of one or more of the participants. The scheme is an extension of the insolvency cover already in operation.

Overall, the new cover is aimed at avoiding the situation where consortia have been forced to offer bids which have been inflated by the need to build in safety margins. Applications for cover will be considered individually and on their merits, allowing ECGD through the newly re-organised Overseas Projects Board to get a clear view of the implications.

It remains to be seen, however, whether industry will make extensive use of this facility. There are relatively few cases where the scheme is applicable and the larger contractors may prefer to rely on their own resources as in the past rather than submit to the required scrutiny. The insolvency cover, introduced more than two years ago, has not been used so far, but it is clear that the new scheme could offer great benefits.

Growing confidence in the economy and much lower levels of interest are likely, writes MICHAEL BLANDEN, to lead to a significant growth in bank lending to industry.

Clearing banks

[TH]E LATEST figures published [by] the London clearing banks [ga]ve the first indication in [rec]ent months that there might [be] some increase in the demand [for] loans from manufacturing [in]dustry. Overall, the figures [sh]owed that the underlying rise [in] the banks' sterling lending to [the] U.K. private sector, after [all]owing for seasonal and other [spe]cial influences, was probably [of] the order of £200m. in the [ba]nking month to mid-[De]cember.

[T]his was much in line with [the] levels reported in other [rec]ent periods and again con[fir]med that the general level of [de]mand for finance has [re]mained relatively sluggish. [Bu]t within the total, the banks [rep]orted that demand had been [mo]re widely spread. In previous [mo]nths, the increases had [ten]ded to go to sectors other [tha]n manufacturing industry [suc]h as the service industries, [agr]iculture and personal [bor]rowers. In December, how[eve]r, the clearing banks said [tha]t there had been some [inc]rease in manufacturing [ind]ustry, and particularly in [en]gineering.

[I]t is too early to be at all [con]fident that industry is at last [beg]inning to take up increased [cre]dit lines in order to support [ren]ewed expansion during the [com]ing year. But a number of [ba]nkers have started to detect [so]me signs of rather greater [ent]husiasm among their indus[tri]al customers. There are grow[ing] hopes that after a long [per]iod of more or less stagnant [len]ding, the economic recovery [thi]s year and the expected [sig]nificant rise in industrial [inv]estment will bring real [gro]wth in their advances.

The prospects of increased [de]mand could also be helped [by] the much lower levels of [int]erest rates now ruling. At [th]e beginning of last year, with [cle]aring bank base rates at 14 [pe]r cent., corporate customers would have been paying between 15 and 17 per cent. for overdrafts. During the past year, base rates have been as low as 6 per cent. and even now, after an increase during December, have come back again to 6½ per cent. So far, however, there has been little indication that movements in interest rates have had any marked impact on the overall demand for finance, although at various times differentials in rates have affected the distribution of lending among the banks.

Attractive

The only recent month in which lending showed a really sharp increase was in the period to mid-October, when the Bank of England figures showed that sterling lending to the U.K. private sector by the banking system as a whole had jumped by nearly £600m. This movement, however, appeared to have reflected special factors, including borrowing to finance purchases of tax reserve certificates at then attractive rates, and the growth of lending subsequently settled back at more normal levels.

There has also been some suggestion that the demand for borrowing may have been held down in the autumn as a result of the heavy inflows of funds from abroad. The Bank of England pointed out in its December Quarterly Bulletin that these may partly have had the effect of improving the liquidity of manufacturing industry, which for the time being would have therefore had less need to call on bank facilities. Now that the inflows have dried up, it could be expected that the underlying demand would reassert itself.

The general picture portrayed by the banks, however, is that the demand has remained depressed with industry making relatively low use of its negotiated lending limits. The trends are illustrated by the latest breakdown of lending by the banking sector published by the Bank of England, for the three-month period to mid-November. Over this period, total sterling advances to the U.K. private sector rose by £395m. Allowing for normal seasonal influences, this would indicate an underlying increase of about £750m., compared with a £1bn. rise in the previous three months.

Within the unadjusted total, however, manufacturing industry cut its sterling borrowing by some £80m., or 1 per cent., after increasing it by £660m., or 10 per cent., in the previous three months; the Bank suggested that a large part of the turnround was probably explained by seasonal influences.

Over the past 12 months to mid-November, total sterling advances to U.K. residents rose by £2.15bn., or 9 per cent., while lending to manufacturing industry increased by £539m., or 8 per cent.—below the level needed even to keep pace with inflation. Within the total rise, moreover, a substantial proportion — £239m. — was accounted for by the food, drink and tobacco sector. A more substantial rise was seen in lending in foreign currencies. Foreign currency advances to manufacturing industry increased by £429m., or 26 per cent., over the 12-month period, with the chemicals and allied industries accounting for £118m. of the rise.

While the general picture has therefore been unexciting, nevertheless, there have been some interesting developments within the overall pattern. One has been the competition which the clearing banks have at times felt from the aggressive activities of the U.S. banks in London, taking advantage of differences between bank base rates and money market rates to attract business from big corporate customers. Partly as a result of this, there has been a noticeable trend for a greater part of lending by the clearing banks to the big customers, those in a position to switch their borrowing to take advantage of rate differences, to be at rates related to the current money market rates rather than base rate.

Another aspect of competition was seen in December, when the big banks settled on different base rates and Midland Bank took an aggressive stance, holding its base rate below the rest in an attempt to attract business away from its competitors. Rates came back into line early in January, and the other banks suggested that they had not seen much loss of business as a result. But the banking figures for mid-December did show that Midland had achieved a substantially larger relative increase in its lending during the period.

The other major development has been the continuation of the banks' activities in providing medium-term facilities for their industrial customers, associated in most cases with building up a growing array of advisory services to support these activities. The importance of this aspect of lending was underlined in the evidence which the London clearing banks submitted to the Wilson Committee on the financial institutions last summer.

By 1976, the banks pointed out, slightly over 40 per cent. of their direct lending to industry and trade was on medium-term facilities compared with less than 27 per cent. in 1973. These loans, normally for periods of up to seven years but recently increasingly extended for longer, have advantages for the borrower in providing guaranteed funds as well as for the banks which have the benefit of an agreed repayment schedule which can be tailored to the needs of individual customers. If the banks included the special export finance schemes, the proportion on medium term was increased to over 47 per cent. And in the past year the banks have continued to develop these forms of lending.

The banks did, however, raise in their evidence the question of how much further they would be able to go before they ran up against problems in relation to their own prudential rules of banking. The point had not yet been reached, but it could be foreseen that a limit would be reached to the amount of medium-term lending which could sensibly be done on the basis of essentially short-term deposit funds. The banks suggested two ways out of this problem; they would themselves examine ways of raising longer term funds, including particularly the idea of issuing floating rate notes; and they revived the suggestion that some form of official refinancing arrangement could be made to enable them to increase their medium term lending further.

With the change in the country's economic fortunes MARY CAMPBELL discusses the transformation this has brought in the U.K.'s position in the Euromarkets.

Euromarkets

THE IMPROVED international standing and financial condition of Britain during 1977 led to a complete transformation of its position in the Euromarkets and of the use British borrowers made of Euromarket finance. On the one hand British companies were able to raise funds again on the Eurobond market—by the end of the year they were even able to raise sterling-denominated funds on the Eurobond market. On the other, public sector corporations, whose foreign currency borrowing in 1972-76 had originally been made in order to finance Britain's balance of payments deficit, started a programme of early repayment.

The key developments which precipitated the changed situation were the transformation of the U.K. balance of payments from structural deficit to structural surplus between 1976 and the end of 1977 (together with the associated influx of foreign money on capital account) and the rise in the value of sterling. For those companies which issued convertible debentures abroad, the rise in London Stock Exchange prices was also crucial since it made it worthwhile for borrowing companies to issue equity-linked securities.

Issues by U.K. companies on the Eurobond market started in the first quarter and continued throughout the year. In contrast to the position in the three previous years the vast bulk of the issues made were by private sector companies. (One or two instances of public sector corporations issuing Eurobonds last year were associated with the programme for replacing some of the large volume of public sector debt which matures in the 1980-2 years by debt of longer maturity.)

All in all, British borrowers raised nearly $2bn. in the form of international bond issues in 1977, according to Morgan Guaranty figures.

This was almost half the total amount raised on the Euromarkets, a development which is all the more remarkable since the $2bn. which British borrowers raised in the form of medium-term Euromarket bank loans in 1977 was almost entirely accounted for by the $1.5bn. loan raised by the Government in January, before the extent of the balance of payments turn-round had become evident.

Among the first issues made on the bond market was Inchcape's $35m. convertible in March, which set the scene for further convertibles to be made in association with permission to raise dividends on the underlying stock by more than the dividend restraint rules would otherwise have allowed.

Other notable external bond issues by British companies last year were British Shipbuilders' $65m. placement—the proceeds were to finance the part of the Polish shipping contract which could not be covered by subsidised credit—a $120m. floating rate note for International Westminster Bank which was doubled in size from a scheduled $75m. because of the strong response from investors and a $100m. convertible issue for ICI, one of the largest convertibles ever seen on the Eurobond market.

November saw what may perhaps turn out to be the most important development of all last year for the British corporate treasurer. This was the re-opening of the sterling sector of the Eurobond market.

The surge in foreign demand for gilt-edged securities earlier in the year had provoked Eurobond issue managers into trying to get the Bank of England's permission to use sterling for Eurobond issues. This permission was given early in November and the spectacular rush of companies to raise funds in the new market showed up the potential demand for long-term fixed rate money for British companies, if only the rates they had to pay were low enough.

In the Eurobond market, British corporate treasurers were able to raise sterling funds at rates roughly comparable to yields on gilt-edged. The four issues made in November for British companies were for between £10m. and £25m., for maturities of between seven and twelve years and were priced to yield between 9½ and 10½ per cent.

The Eurosterling venture was by no means an unqualified success—partially because too many issues were arranged far too fast as British corporate treasurers sought to take advantage of the market in case it proved to be no more than a one-month wonder. This meant that more paper was issued faster than investment demand could cope with it.

In addition, with hindsight, issue managers in this sector argue that although Eurosterling borrowers would not have to offer nearly as much as would be necessary for a domestic bond issue, the rates should have been pitched a bit higher relative to comparable high coupon gilt-edged securities than was the case for the first batch of issues.

Recovery

The first burst of Eurosterling bond issues also happened to coincide with a period when sterling fell against other currencies and when U.K. short-term interest rates rose. There has been a substantial recovery since although most of them are still quoted substantially below the prices at which they were offered initially.

The sector is expected to reopen any time, and the current levels of outstanding bonds suggest that any new issues should be priced to yield between 9½ per cent. and 10½ per cent. depending on the credit rating of the borrower and the maturity of the bonds.

Prospects for raising funds in other currencies are currently determined more by general condition of individual sectors of the market than by any question-mark over the perception of British credit among international investors.

Because of the unpopularity of the currency, the dollar sector of the international bond market is currently in a very weak condition, though ICI is in the process of raising 20-year funds, on the New York bond market at a yield which is expected to be well below 9 per cent.

Conversely, in the Swiss franc market the shortage is of borrowers rather than investors, and Swiss franc 15-year funds can currently be raised for 4½ per cent. by prime borrowers. The D-mark sector is also a target for currency speculation and rates there range between 4½ and 7 per cent., depending on the quality of the borrower and the maturity of the bond.

If bank borrowing increases as expected this year, the interest rate movements of recent weeks can only be a good omen for industry suggests MICHAEL BLANDEN, since they have apparently reached a plateau at levels lower than for more than a year.

Interest rates

HOW FAR industry's decisions to invest in new equipment are affected by the cost of money is a subject of considerable uncertainty, but there can be little doubt that the sharp drop in the level of interest rates over the past year has been one of the factors contributing to an improvement in confidence. This has begun to be reflected in the figures of capital spending, which have shown a marked recovery since the spring of last year—with the prospect of the further improvement during the current year.

The latest statistics published by the Department of Industry showed that manufacturing investment rose by 5 per cent. between the second and third quarters of 1977, to £455m. (at 1970 prices and seasonally adjusted). Over the first nine months of the year together, the level of investment was nearly 6 per cent. higher than in the corresponding period of 1976. Moreover, given the sharp drop in investment spending by British Steel Corporation, which distorted the overall trend downwards, the volume of investment by private manufacturing industry had risen about twice as rapidly as the total.

Forecasts for this year vary markedly, and the Department's recent survey of intentions again indicated that plans had been revised downwards since the last time that manufacturers were asked about their expected levels of spending. Nevertheless, the results pointed to a rise of between 10 and 13 per cent. in capital spending in real terms during this year compared with last year, falling between the 8 per cent. projected by the National Institute of Economic and Social Research and the 15 per cent. or so expected by the Confederation of British Industry and the London Business School.

The level of interest rates is by no means the only factor influencing the attitude of companies to new investment projects; for example, where the essential replacement or expansion of an operation is involved the cost of money may become almost irrelevant. Moreover, the actual effect of high interest rates will depend in part on the current and expected level of inflation. Even when bank lending rates were at high levels, the real cost of money may have been negative, while with the fall in the inflation rate in the past year and the expected further decline in the early part of 1978 lower interest rates may represent a significant real burden.

Nevertheless, high nominal interest rates, whatever the level of price inflation, do impose a real strain on company finances by eating into their cash flow, an important factor in making investment decisions. At least at the short end of the market, the cost of money has been cut by more than enough to offset the reduced inflation prospects, thus potentially encouraging a greater use, for example, of bank overdraft facilities; while at the long end, although rates have not come down so rapidly, there has been a significant decline. Industry has welcomed this movement, and is hoping that the new level can be sustained to permit sensible forward planning of investment.

Movements in short-term interest rates have been dramatic over the past two years, with the sharp fluctuations themselves presenting a problem for industry. The changes have been closely associated with the turn-round in overseas confidence in the U.K. and the renewed strength of the pound.

The peak level of rates was reached in late 1976, when as part of the various measures taken to restore confidence at a time when the pound was under heavy pressure the Bank of England's minimum lending rate was pushed up sharply to 15 per cent. while base rates at the big banks went to a peak of 14 per cent. This implied that even the top-quality corporate customers of the banks would be paying 15 per cent. for overdrafts, while others could be charged around 17 per cent.

At the same time the cost of long-term money, as measured for example by the redemption yield on 20-year company debenture and loan stocks, reached nearly 17 per cent. The story of 1977, however, has been one of a steady and at times rapid decline. In the early part of the year, rates came down sharply, with the Bank of England stepping in on several occasions to slow down the decline. By mid-May, MLR had dropped to 8 per cent. with bank base rates down to 8½ per cent.

The decline was largely based on the renewed demand for sterling, itself the result of the changed outlook after the conclusion of the International Monetary Fund loan and the central bankers' safety net for the sterling balances early in the year. During the first half of the year, the Bank was able to hold the value of the pound more or less steady in terms of both the dollar—at around $1.72—and of the trade-weighted index of its value against a basket of 20 other currencies.

Pressure

In July, however, the dollar began to come under the pressure which lasted for most of the rest of the year. The Bank abandoned the policy of keeping the pound steady in relation to the dollar, concentrating instead on the index.

This was followed during August by another downward move in short-term rates, with MLR dropping to 7 per cent. and base rates to 8 per cent. The final stage of the decline came in September and October, when the inflows into the U.K. built up to an exceptionally high level and forced rates down again. MLR finally dropped to a low point of 5 per cent. while base rates went down to 6 per cent.

This, however, reflected an unstable situation, with the efforts of the U.K. authorities to prevent the pound from rising bringing very large increases in the official reserves and threatening the control of the money supply. At the end of October the Government was forced to abandon the policy of holding sterling down; in late November growing expectations of an upward adjustment in interest rates were fulfilled. It was generally recognised that the low levels reached in the previous month could not be sustained, and the Bank allowed a sharp jump in MLR to 7 per cent.

This was followed by an unusual experience in banking when the big four banks took different views in an uncertain money market of the appropriate level of rates. Base rates varied between 6½ per cent. at the Midland Bank, which took a particularly aggressive stance in competing for business, and 7½ per cent. at Barclays and National Westminster.

With the New Year, the opportunity arose in more stable conditions to allow the level of rates to ease down slightly again. With MLR falling to 6½ per cent. on the first Friday of the year, banks took the opportunity to come back into line with base rates at 6½ per cent. The general view seemed to be that the rate competition of the previous month had not produced any significant gain of business for the cheaper banks, and that with a prospect of a more buoyant demand for credit during the current year there was less incentive in any case to fight for a share of the existing market.

For industry, however, the movement can only be regarded as helpful, confirming the new lower level of rates after a period of some uncertainty. From the peak levels of 1976, the cost of long-term money had also dropped by the end of last year to under 12 per cent. There seems a reasonable prospect that, while rates will be adjusted from time to time, there should not be in the coming year the kind of abrupt movements experienced in the recent past which have been one factor discouraging investment decisions.

Now that the current cost accounting debate has more or less been resolved in favour of Mr. William Hyde's guidelines, the procedure for inflation adjustment ought, MICHAEL LAFFERTY points out, to be more easy to deal with from now on.

Inflation accounting

NINETEEN SEVENTY SEVEN was the year when the great push towards a complete changeover to the inflation accounting system known as current cost accounting (CCA) was severely checked, if not brought to a standstill. Instead of the proposals contained in ED 18 becoming an accounting standard, they have been quietly forgotten. In their place we now have the much simpler and less controversial Hyde guidelines.

It has been an extraordinary affair. The Inflation Accounting Steering Group, chaired by Mr. Douglas Morpeth, had been established in late 1975 to implement CCA as the main accounting system in the U.K. following the Government's acceptance of the report of Sir Francis Sandilands' committee of inquiry. It was financed by funds from the accountancy bodies, the Government and donations from the profession and industry. After many months of deliberations this steering group produced the exposure draft ED 18 and announced that it was on course to meet the Sandilands timetable for implementing CCA in the accounts of larger companies by 1978.

But the six months of exposure allowed for the ED 18 proposals was hardly half-way through before it became clear that the document was too ambitious. By attempting to cover every aspect of accounting, and by seeking to do it all in line with the highly ambitious Sandilands schedule it fell between almost every possible stool. Just about every interested organisation found something to object to in ED 18.

The final nail in the exposure draft's coffin came on July 6, 1977, when members of the English Institute of Chartered Accountants—the largest and most influential accounting body in the country—voted against making any system of CCA compulsory by a margin of 15,500 to 13,200. The vote represented nearly half the Institute's membership and was a record for any ballot of members. It was all the more exceptional since the anti-CCA resolution had been initiated by two small practitioners from Burgess Hill—Mr. David Keymer and Mr. Martin Haslem—who had pressed ahead against the express wishes of the Institute's president and the personal pleas of such elder statesmen of the profession as Sir Ronald Leach.

With the inflation accounting issue thrown wide open once again, the Accounting Standards Committee — the professional body with overall responsibility for rule-making in the private accounting area—was left to pick up the pieces. This it did with commendable speed by setting up a group headed by Mr. William Hyde, chief accountant of Oxford University, to work out interim guidelines for adoption by large companies in their next published accounts.

PUBLISHED CCA PROFITS ADJUSTED BY THE HYDE GUIDELINES

Company	Pre-tax profit	Cost of sales Adjustment	Extra Depreciation	Gearing Adjustment	CCA profit	% Change
Akroyd and Smithers	15.5	—	−0.2	−2.3	13.0	−16
Associated Engineering	33.5	−11.8	−5.3	+6.3	21.7	−33
Brooke Bond Liebig	49.8	−41.8	−7.3	+9.8	10.5	−79
Serck	9.3	n.a.	n.a.	n.a.	5.6	−40
Smiths Industries	20.5	−8.5	−2.6	+3.3	12.7	−38

Striking

The Hyde guidelines, as they have come to be known, had really been prepared even before the decisive vote had gone against ED 18. They bore a striking resemblance to the alternative CCA exposure draft produced by the London branch of the Institute of Chartered Accountants during the ED 18 debate.

Although they have nothing like the status of accounting standards, the guidelines have got off to a good start. A majority of the companies in the FT 30-share index, for example, indicated that they would give the requested information in their 1977 accounts when the guidelines were released in late November 1977. Already a number of companies including Akroyd and Smithers, Brooke Bond Liebig, Associated Engineering, Smith Brothers and Serck have published figures showing what their CCA profits would be after correcting historic profits for the three Hyde adjustments.

These three adjustments are:

- Extra depreciation based on the estimated current value of plant and machinery.
- A cost of sales adjustment.
- A gearing adjustment.

The guidelines deal only with the profit and loss account. CCA data are not requested for the balance sheet, although certain balance sheet adjustments will be necessary for calculating the above three adjustments. The guidelines are extremely simple and general, so that companies are encouraged to experiment and develop their own systems for matching current costs and revenues. As a result indices are likely to be widely used for making the cost of sales and depreciation adjustments.

The gearing adjustment is, of course, the least known and by far the most controversial of the three calculations. The guidelines cover two different situations:

If the total liabilities of the business (including preference share capital) exceed its total monetary assets, so that part of its operating capability is effectively financed by the net monetary liabilities, an adjustment should be made to reflect the extent to which the extra depreciation and cost of sales adjustments do not need to be provided in full from the current revenues of the business in showing the profit attributable to the shareholders.

If the total monetary assets of the business exceed its total liabilities, an extra adjustment should be made to reflect the increase in the net monetary assets needed to maintain its scale of operation.

The first situation covers the typical company, whereas the

CONTINUED ON NEXT PAGE

As masters of corporate financial strategy, the merchant banks — with a good year behind them — ought to be able to look forward to the rest of 1978 as a period of improving business prospects, writes NICHOLAS LESLIE.

Merchant banks

TO HAZARD a guess at what will most occupy the attention of the corporate finance arms of merchant banks this year is a hazardous exercise given the way such predictions can so easily be confounded. Nevertheless, there is good reason to think that takeovers will feature fairly strongly even if the pattern is for relatively small deals.

Companies have been showing increasing signs of wanting to break back into a growth phase through acquisition, or to use such a means to diversify. A factor encouraging them to do so has been the substantial fall over the past year in the cost of money. But elsewhere in merchant banking corporate finance it is hard to see anything beyond a mixed bag of capital raising (mainly through a continuation of rights issues), capital reorganisations and raising medium-term loans for industry. In this latter sphere there are expectations of a pick up in demand a little later in the year but it still seems inevitable that the merchant banks will, as last year, be competing hard for a limited amount of business.

For the venture capitalists the picture, on the whole, is not particularly encouraging. This is primarily because there is by most accounts still a dearth of good projects. Despite all the discussion that has taken place over the past year or so about the problems that individuals and small companies face in getting the type of seed capital they feel they need to get a business properly off the ground, most venture capitalists say that the quality of ideas submitted to them is still poor and that the fault is not theirs that the number of new venture capital investments remains low.

Part of the difficulty when talking about venture capital is so often one of definition. For the most part venture capitalists admit to not being over-keen on backing speculative start-up situations, but instead are seeking to put money into projects or companies which already have some sort of track record and are now in need of, say, between £50,000 and £100,000 for their next phase of development.

Most merchant banks have entered 1978 with a good year of profits behind them. Much of this improvement has resulted from activities outside the strictly corporate financial sphere, but the broad range of corporate facilities have played their part. The greater buoyancy has developed at a time when competition has been on the increase not only as a result of the clearing banks further expanding their merchant banking subsidiaries, but also because overseas banks, and particularly the American ones, are becoming increasingly active in this area—even if they do tend to concentrate on the Euromarket sectors.

Specialist

Specialisation has persisted. This is a natural consequence, it is felt in some quarters, of the independents having had to share the market with an increasing number of competitors. Hambros, for example, is known among other things for its major business in acceptance credits. Even the clearing bank subsidiaries have taken the specialist path. Barclays Merchant—while obviously using its financial muscle to expand its medium-term lending—featured strongly in takeover activity. This was almost entirely due no doubt to the reputation of Mr. Charles Ball, its former chairman who left towards the end of 1977 having not seen eye to eye with the parent bank on medium term lending and other points. Whether it will follow a similar pattern this year if the expected increase in takeover activity materialises remains to be seen.

There is some expectation in merchant banking circles that corporate finance departments will be taken up increasingly with advising in takeovers by American companies of British concerns and, conversely, of American companies by British groups. It is felt that there has been a significant change of view in the U.S. of prospects for British industry. Instead of being extremely cautious, as they were two years ago when the British economy was in dire straits, with interest rates running high and the pound falling in value, there is now a growing feeling among American companies that Britain can offer good investment opportunities. It seems probable, though, that purchases will be fairly modest, with U.S. companies preferring to develop from small, though already successful beginnings, rather than taking a large slice at the outset.

Even among domestic takeover activity it is felt that merchant banks are unlikely to be called on to handle many deals of great size and one reason cited for this is that managements are becoming much more circumspect about the possible intervention of the Office of Fair Trading. By setting their sights fairly low they feel they will avoid the problems of a Monopolies Commission probe.

Mr. Michael Richardson, head of Finance for Industry's merchant banking division, sees merger broking as one of three more likely trends this year. This, he feels, will probably take the form of companies seeking merchant bank help in finding attractive partners for straight expansion in their existing business or to help them move into new areas of activity. He also expects some divestment by big companies of subsidiaries which they feel no longer form a rational part of the rest of their operations; this is a view echoed elsewhere in merchant banking circles.

Handful

Another trend he expects is in helping institutions find good investment opportunities in private companies. The relative inactivity of the stock market and with just a handful of companies having gone public over the past five years or so, means that institutions are casting their nets into the private company to find a good home for their funds. It also seems likely that such private company investments will be nurtured towards a public quotation firstly by dealings in their shares under Rule 163 (2) of the Stock Exchange and then to a full listing by way of an introduction. But there is a fairly wide division of opinion as to how many new listings will be achieved, simply because many believe there is still widespread scepticism among managements of the benefits of a public quotation.

Mr. Richardson, in common with other merchant bankers, also expects more rights issues, particular among medium-sized companies, to be made this year, certainly at a higher rate than has been the case in the past six months or so. And a prediction by another merchant banker is that if interest rates continue to ease there may well be some issues of Debentures again by the early summer.

Overall, the probability is that there will be a reasonable amount of capital and money raising done by corporate finance men at the merchant banks, but that they will also be pretty busy giving advice in a variety of situations.

As for venture capital, Mr. Steven Dollona, marketing director of the National Research Development Corporation, is predicting a limited level of demand. He acknowledges that the spate of publicity that has been generated about his area of business and about small companies as a result of the Lever committee and the Wilson inquiry have generated increased knowledge among bank managers and accountants and the like who are important in bringing forward potential venture capital customers. But he then says that even with perfect knowledge there would still be limited demand because so many ideas fall down through lack of quality.

NRDC, though, is perhaps a special situation in that its brief is essentially to back projects rather than companies. In this role it provides what few others do—real risk money. It will fund a project without any security and will seek its return purely by taking a percentage on sales of the product it backs. Thus, if the product fails NRDC gets nothing back. Most other venture capitalists will want some security, either by a charge on assets or by taking an equity stake. Theirs is essentially development rather than risk capital, although Technical Development Capital, a subsidiary of the Industrial and Commercial Finance Corporation (itself an arm of Finance for Industry), does back some start-up situations as indeed does ICFC itself on occasion.

Generally, though ICFC, along with others like Charterhouse Group, Gresham Trust and the Small Business Capital Fund are more interested in a situation which already has something of a track record and is now looking for between £50,000 and £100,000 to take it through its next stage of development. And while Mr. Dollond may be finding suitable investments this latter category have been far more active over the past year or so than in the stagnant years of 1974-76.

Accounting

CONTINUED FROM PREVIOUS PAGE

...ond deals with businesses ...h as banks. Where there is excess of monetary liabilities ... following steps should be ...owed after calculating the ...ra depreciation and cost of ...s adjustments:—

... Revalue fixed assets and, if ...terial, stocks to current costs, ...diting the surplus to reserves.

... Calculate the gearing proportion. This is the proportion ...ch net monetary liabilities ...rs to shareholders' funds ...s net monetary liabilities. ... gearing proportion is the ...rage of the opening and ...ding percentages of non...netary items financed by ...netary items.

... Calculate the gearing ...ustment by applying the ...ring proportion to the extra ...reciation and cost of sales ...ustments.

...eduction

...ccording to Phillips and ...w figures the gearing adjust...t adds back some 20-25 per ...t. of the other adjustments, ...ducing an overall reduction ...pre-tax profits of about 32 ... cent. As far as individual ...ustries are concerned the ...uction in after-tax profits ...er writing back deferred ... ranges from 70 per cent. ...he case of general engineer... to only 15 per cent. in the ... of breweries. Food manu...uring and newspapers and ...lishing are other sectors ...wing reductions of 55 per ...t. each.

...he U.K. has not been the ... country where progress ...ards current value accounting systems has been slowed down, or possibly interrupted for some time. In the U.S. the Securities Exchange Commission's requirement for replacement cost disclosures received considerable resistence in its first year (1977). Further action may be deferred until the Financial Accounting Standards Board completes its project on the conceptual framework of financial accounting and reporting.

Australia, once the pace-setter in this field, has also delayed its original schedule for mandatory CCA until July 1, 1979 and even this looks ambitious with further opposition growing from the business community. Other countries which have yet to issue rules (although some proposals have been issued) in this area are Canada, New Zealand, Japan (consolidated accounts are required there for the first time this year), and South Africa.

The French securities commission, the COB, has decided after all not to require listed companies to make CPP disclosures, while its Government has introduced rules for the revaluation of assets. The Germans remain implacably opposed to any system of inflation accounting, and as far as is known not one large German company has complied with the CCA recommendation issued by the German accountancy profession back in 1975. It looks as if HCA will take a little longer to dislodge than may have been imagined a few years ago.

The stock market still shows little sign of regaining its traditional role as one of the main sources of company finance. In part this reflects the continued low level of demand, but the dominant factor, as BARRY RILEY points out, is the growing weight of the institutional investor.

The stock market

IN THE three years to last March the number of British companies listed on the London Stock Exchange fell by 500 to just under 5,600, a drop of nearly a sixth. The number of quotations is constantly being reduced by takeovers and mergers, even though these have slowed down somewhat in recent years. And at the same time the flow of new company listings, which at one time could be relied upon to keep up the volume of share quotations, has slackened to a trickle.

The most dramatic evidence of the declining appeal of stock market listing has been provided by the companies (admittedly few in number) which have seen decisive attractions in "going private." These range in size and character from a relatively small, virtually one-man business like Graff Diamonds to Cavenham, a very large international food group. Both these companies have bought out their minority public shareholders in somewhat controversial circumstances during the past year.

For all their obvious differences, these "privatised" concerns (which also include Williams Hudson and British Electronic Controls) have one thing in common—they are strongly entrepreneurial operations, of the kind which used to keep the City's issuing houses busy on flotation work.

A clear message has gone out to work to the Stock Exchange—it is no longer an attractive arena for the entrepreneur. Small highly personal companies now get a low rating in the market, and the potential rewards for successful owners of small or medium-sized businesses from the sale of shares or the use of their paper as a bid currency no longer provide sufficient compensation for the disadvantages. These include the requirement to fit in with ever more demanding listing rules, and the need to submit to auditing standards which tend to be more rigorously applied for public companies.

At the same time larger professionally managed companies are turning to the stock market on an impressive scale for new money, mainly in the form of rights issues. From a remarkable peak of some £1.2bn. in 1975 the total has eased only a little, and was still well over £700m. last year.

These trends in company issues clearly reflect the changing patterns of share ownership. The small private investor is rapidly disappearing from the country's share registers, and official statistics show that the personal sector has been regularly disposing of company securities at the rate of around £1.5bn. annually during the past few years.

Collective

But collective investment through institutions like pension funds and insurance companies has meanwhile been rising rapidly, these operations probably raking in something over £6bn. in 1977, which serves to make them the dominating investors in the stock market. And managers of big funds with a great deal of new money to invest cannot afford to waste their time with small companies.

Certain efforts are now being made to channel funds from the big institutions towards small companies through specialised intermediates such as unit trusts. This cannot, however, affect the underlying trend to any great extent, and although the situation has been improved slightly by the recent general improvement in share prices the future role of the stock market remains a subject for debate.

It can, of course, be argued that a large and active stock market is not necessary. Many other countries have achieved quite satisfactory economic growth without one. But the Stock Exchange itself naturally has no option but to seek to rebuild its role. To continue to rely on institutional investors for a greater and greater share of business would threaten to bring about an ever increasing volatility and market inefficiency, while in due course the institutions are likely to insist upon negotiated commissions which could put enormous pressure on the profitability of Stock Exchange firms (as they are already doing on Wall Street).

There are several strands to the Stock Exchange's policy for safeguarding its long-term position. First, it will of course make every effort to maintain its role in the large company sector where the rights issue mechanism has become increasingly refined. There are also hopes that the current decline in inflation will bring about a revival of debenture and loan stock issues, which have been virtually absent since 1972. Judging by what has been going on in sterling Eurobonds, companies will become keen borrowers again when the available long-term rate falls to within the 10-10½ per cent. range.

Secondly, the Stock Exchange is actively encouraging private companies to have their shares dealt in through the stock market without the necessity for a full listing. To achieve this the Stock Exchange Council has been giving new emphasis to the facility under Rule 163 (2) for matching bargains in unlisted securities.

The hope is that through such dealings a company's shares will become more dispersed, and that in the course of time the number of shareholders will become sufficiently large to justify a full listing. An interesting success story in this respect reached its climax late last year when Henry Sykes, a medium-sized pump manufacturer, was introduced following a period of a few months in which Rule 163 (2) bargains were being regularly marked.

This new listing was especially satisfying to the Stock Exchange as it was the first example of a "capture" of a client of the Nightingale private over-the-counter market. But Sykes was not a typical small entrepreneurial company, for it already had a number of large institutional investors and there are no big family shareholdings.

To help promote the Rule 163 (2) facility the Stock Exchange has arranged for the Financial Times to publish the week's bargains marked under this rule in each Saturday's issue. This can be seen as the Stock Exchange's own over-the-counter market.

Listing

The Stock Exchange Council is not willing to start relaxing its listing requirements in order to lure private companies. To do so would be to run the risk of the establishment of a Government securities agency, such as already exists in the U.S. in the shape of the Securities and Exchange Commission, which would supersede the City's own preferred self-regulatory mechanism. But at least the Stock Exchange is unlikely to add to its difficulties by further tightening to any significant degree the listing requirements which are already onerous for many smaller quoted companies.

It has made one small concession to encourage new listings. The former rule which insisted upon a minimum 35 per cent. "outside" shareholding has been amended; now only 25 per cent. need be sold, thus helping to meet criticism that the former requirement led to too many shares being sold on the cheap.

The third line of attack has become increasingly evident in recent Stock Exchange pronouncements—it is starting a campaign to restore the role of the small investor in the equity market. If a new generation of private investors could be encouraged, it would be in a position to buy the shares which an earlier generation (largely because of old age) is at present unloading at unduly depressed prices.

The present tax system encourages people to save collectively. Pension schemes confer major tax advantages, for instance, and income tax reliefs are offered on life assurance. In contrast, purchases of shares by individuals have to be paid for out of taxed income, any realised profits are liable to capital gains tax without (at present) any offset for inflation, and dealing in shares incurs stamp duty and VAT on commissions.

Changes in the tax structure in these areas could encourage investors to take a much more individual line. But there are other problems. Private companies are being offered the possibility of lower disclosure standards, and high personal tax rates encourage private entrepreneurs to take their remuneration in ways that public company auditors might frown on. It could be quite a while before the stock market again becomes an attractive financing medium for smaller companies.

Instalment credit of various kinds is an established element in the nation's borrowing machinery. Given the curbs on the consumer, as JEFFREY BROWN explains, it is no surprise to find that industry is increasingly the main customer.

Finance houses

...DERLYING business activity ...ong the finance houses ...wed little real improvement ... year, but the dramatic ...line in interest rates—...imum Lending Rate halved ...7 per cent. over the span of ...7—more than made amends ... continued sluggish capital ...nding by industry. At the ...e time lending to the ...porate sector has continued ...grow as a proportion of the ...dit industry's total business ...standing.

...iven the curbs (now four ...rs' old) on consumer credit, ...s perhaps no surprise to ...n that the finance houses ... lending an increasing pro...tion of funds to industry. ... realities of the situation ... confused by the lack of ...vincing official statistics on ... subject, but a recent survey ...ertaken by the Finance ...ses Association takes a ...siderable step towards clari...g the picture. The FHA survey suggests that more than 80 per cent. of all finance house lending now goes to industry.

Moreover, the FHA makes no bones about the growth at this end of the business—at the direct expense of consumer credit. Its figures for the third quarter of 1977 show an increase of 10 per cent. in lending to industry compared to growth of just 7½ per cent. for finance house lending overall.

In general, finance house facilities do not compete with those of the clearing banks which, especially through the use of overdrafts, tend to underpin the day-to-day needs of the corporate sector, notably working capital. Nor are finance house funds likely to find their way into capital requirements demanding long-term or permanent finance. In the main they function as a provider to industry of medium-term money for investment in plant, machinery and vehicles.

Finance of this nature varies from house to house and in certain instances can be a specialist, almost bespoke, arrangement. Basic credit finance, however, breaks down into four simple forms—hire purchase, leasing, contract hire and rental and direct loans. The greater part of finance house lending to industry concerns hire purchase and leasing. Both are forms of instalment credit and under both the borrower gets the assurance of finance for an agreed period (one generally covering the working life of the assets to be purchased) at a cost known at the beginning of the transaction.

In both cases the asset provides the lender (the finance house) with its security, and only in exceptional circumstances will the finance house require additional security such as a charge over other forms of asset.

Contract hire and other forms of rental are for the most part variations of leasing. This is a specialised facility mainly used for vehicle financing in which the user pays only the pre-calculated depreciation during the fixed hiring period. Frequently provisions for maintenance, service and repairs are included in the contract. In the case of heavy commercial vehicle contract hire, provisions for drivers and fuel can also be part of the package deal.

As an alternative to hire purchase some companies settle for direct loans with the security in a re-saleable asset being replaced by security in creditworthiness. Loans of this nature are invariably made for a specific purpose — United Dominions Trust quotes some simple examples of its lending in this respect by pointing to the installation of air-conditioning of anti-fire sprinklers.

Similar

As for the terms of credit finance, the sort of down-payments demanded by hire purchase and leasing contracts are broadly similar in cost. Hire-purchase down payments constitute a deposit, while for leasing contracts this amounts to the number of rentals in advance; both types of transaction are quick and inexpensive to arrange. In both cases a high degree of flexibility of terms can be agreed—the detailed terms of a repayment can be adjusted to match each customer's anticipated cash flow, helping to make the "discharge of his liability" as painless as possible.

There are a number of variations on the normal pattern of repayments associated with hire-purchase or leasing contracts. Some have curious names like balloon or skip payments. The former are mostly used in contracts where goods have a high residual value, while skip payments are tailored to suit customers in the construction industry—to contractors who know in advance that they will not be able to operate certain elements of plant in the winter months.

Both hire purchase and leasing contracts offer the borrower (or lessee) tax advantages. The two types of contract have quite different tax treatments. By and large however the choice before the customer boils down to whether or not he can take immediate advantage of the capital allowances available on new investment or whether, being temporarily short of taxable profits, he is not obviously anxious to avoid the stern hand of the Inland Revenue.

Plump

If full tax allowances can be used a borrower will almost invariably plump for a hire purchase contract. Otherwise leasing becomes the generally chosen financing route—provided the leasing company is in a position to claim capital allowances and is also prepared to pass on to the customer all or part of the consequent profit benefit. The caveat is important. No one set of rules can be applied to every situation. In the final analysis only the borrowing company aided by its tax advisers can decide.

As for the lender, the list of names is long—Bowmaker, Forward Trust, Lloyds and Scottish, Mercantile Credit to name but a few of the major houses. Topping the list is Lombard North Central which, like so many credit companies, is owned by a clearing bank (in this case National Westminster). This sort of parentage has obvious advantages for a finance house providing direct access to a broad range of customer. But Lombard North Central feels that its clearing bank links are only part of the key to its rapid expansion in recent years.

Determined self-promotion is the propelling force that the company points to when describing its success. It has an extensive field force—over 600—working from 109 branches. And the company's overtures to the company sector have lifted its ratio of industrial lending to around 75 per cent. of outstanding balances, a level significantly above the average for the finance houses. Against total assets of just under £1.2bn., the company's outstanding balances at the end of September were £985m. of which just over a fifth was represented by lending overseas. Of the balance, leasing accounted for almost a quarter.

Of the bigger groups independent of banking ownership, the leader is probably United Dominions Trust whose principal shareholders are the Prudential and Eagle Star. UDT reckons that its industrial lending accounts for slightly less than half of outstanding balances.

CORPORATE FINANCE VIII

Among the growing number of financial services available to industry, factoring is well established as an aid to cash flow, particularly since the big banks have made their presence felt. ANTHONY THORNCROFT examines the basic advantages and the methods of operation.

Factoring

FACTORING is now a firmly established and successful service to British industry and yet still only a minority of businessmen would be able to give an accurate description of the factor's work. This is changing, especially now that the four clearing banks dominate the industry through their subsidiaries, but only slowly.

Basically most factors offer three services. They all undertake the debt collection for their clients, sending out the invoices to customers and making sure that bills are paid. In effect a company using a factor can dispense with its own accounts department. Secondly, most factors (Alex Lawrie is the main exception), offer their clients a guarantee against bad debts, although there are exceptions here, which are best covered later.

Inflow

Finally, in addition to these obvious services, factors provide a cash facility, advancing to their clients up to 80 per cent. of the value of the debts they are collecting. This means that companies have a fixed and certain inflow of cash and can make this money work for them. Factors charge an additional fee, usually around 2-3 per cent. above the general lending rate, for this facility, but there is no pressure on clients to take the service. It is generally most widely used during times of scarce and expensive money.

In the past year the factors maintain that a majority of clients are using their administrative rather than their financial services. For this they usually charge between 1 and 2 per cent. of the turnover handled, depending upon the problems they have in collecting the debts. Many factors find that it is uneconomical for them to gather in debts of less than around £125, although once again some, like Alex Lawrie and Arbuthnot, tend to specialise in helping small companies. Basically factors assess every prospective client individually and quote according to the difficulty of the undertaking—and they still tend to turn down most applicants, in particular companies in a bad way who see factors as the financial solution to their problems.

At the moment the factors have had a prosperous year and are optimistic about the future. Over £800m. of turnover is now factored in the U.K. with more than 1,000 companies using a factor. They tend to be below £1m. in annual sales although often a division of a large company will employ a factor, perhaps only on its export business. The general idea is that a factor nurses a small and expanding company through its first five years or so and then the client will want to build up its own accounts department and handle its own affairs.

Factoring now looks much more stable because the four major banks are expanding their factoring operations by encouraging their local branch managers to point out the advantages of the service to likely customers. In particular Lloyds (and Scottish) controls International Factors, which all told handled turnover of £157m. in 1976-77 (and made a profit of over £700,000); Alex Lawrie, which handled debts valued at £98.4m. and made a profit of £697,500; and has just taken over the Bank of America factoring operation. Lloyds sees International as its main factor, with a big stake in export factoring—£33m. in the last financial year—while Alex Lawrie handles almost 300 generally smaller firms. Alex Lawrie is unusual in not providing credit cover.

Not offering insurance against bad debts is not such a disadvantage to Alex Lawrie. For a start it reduces the cost to the client, and then there is a constant complaint against factors that they only cover the safe debts. If a factor does not like the look of a client's customer it will refuse to provide cover, or only to a certain sum. In practice perhaps a quarter of a client's accounts will not be covered by its factor, which rather reduces the effectiveness of this service. Even so factors rarely leave aside more than 0.1 per cent. of turnover a year to meet any bad debts they have to bear.

Apart from Lloyds, National Westminster has the biggest single factoring operation, Credit Factoring, which is responsible for around £240m. of turnover and has stepped up its investment into France, while the Midland works through Griffin and Barclays has its own operation. There were other significant factors but they have either been bought by the banks or ceased operations, apart from Arbuthnot and H. and H. Factors, which is mainly owned by the Heller Corporation of the U.S. and which is part of a big international network.

Dislike

H. and H. reckons it gains by the fact that its competitors are clearing bank owned because many companies dislike the idea of their banker also operating as their factor and if this happens the banks often pass on inquiries to H and H rather than to a competitive banking factor.

It is unlikely that any more big operators will enter this field so the future looks like one of consolidation. The existing factors will expand by taking on clients in new markets—in the past there has been a concentration in textiles, engineering and manufacturing generally but now service companies can find a factor—and by developing exports. The factors tend to have overseas associates, if they are not part of an international group, and by using the knowledge of their foreign connections they can vet potential customers for clients and make exporting as easy as selling inside the U.K.

Perhaps the main attraction of using a factor is that it enables the management to get on with what it does best—production and marketing—without having to worry about gathering in the debts. By taking the financial service of early payment a client can pay its own debts promptly, and perhaps gain discounts, and also have the cash to take advantage of any good buying opportunity, although, while the basic factoring charge is quite reasonable, the extra cost of getting early payment can make this an expensive benefit.

Another increasingly popular means of helping the company cash flow is leasing. ROBERT HAWKINS, Editor of Leasing Digest, reviews the main lines on which this particular form of financing is developing.

Leasing

PENCILLED-IN figures for the value of new equipment bought last year by members of the Equipment Leasing Association (ELA) indicate a record £550m. spent on capital equipment, compared to £421m. in 1976, which was itself a record year. Lease finance is clearly accounting for a greater percentage of the capital equipment finance market each year, and the chairman of the Equipment Leasing Association, Stuart Errington, feels that the trend will continue during 1978.

Senior executives of the largest leasing companies (in effect subsidiaries of the clearing banks) appear to be hopeful that investment in capital equipment will begin to pick up this year, albeit hesitantly, and that demand for leasing facilities will grow with it.

The biggest growth sector will be motor leasing, thanks to the easing of the Control of Hiring Order last year. Ten-month front-end rental deposits on company vehicles are no longer required from the users, or lessees. Moreover, the Inland Revenue permits bona fide lessors to take first year allowances on business vehicles, and a large part of the benefit of deferred taxation can be passed on for the benefit of lessees.

There has been something of a rush into the vehicle leasing market (and indeed into leasing in general), with many specialist schemes being developed, and in some cases lessors or dealers have been relying on the second-hand price of vehicles coming off lease to give them extra profits on their transactions. The large, solid companies in the car leasing business, and many smaller ones, have taken care to develop their business on sound lines—but some elements may find themselves facing problems.

Mr. M. W. Lacey, director of the second-hand car dealers' "Bible," Glass's Guide, has indicated in speeches and articles in recent months that car prices will rise more slowly this year, and that consequently the second-hand prices of cars will also fall off, and indeed return to more conventional straight-line depreciation rules. The inference from the leasing industry's point of view is that some companies which speculated on large residual values after two-to-three-year leases expired may face problems later this year or next.

The second problem has wider implications for the leasing industry. Lessors, like industrialists, are entitled to tax deferrals on new equipment purchases. The Inland Revenue has been getting restless about the appearance of companies in the role of lessors doing one-off leasing deals, when they are not normally in the business of leasing. Sir William Pile, the chairman of the Board of the Inland Revenue, said at a private luncheon arranged by the ELA in September: "It had never been intended that people should be able to reduce their tax bills by drawing off capital allowances on assets unconnected, in any real sense, with their own business."

There has been a rush of interest in the leasing industry in the past two or three years, and the fear is that a certain number of schemes have been set up which sail close to the wind; if the Revenue decides that something may have to be done about them, the leasing fraternity's flexibility may be reduced. The Inland Revenue held absolutely no animus against leasing in the conventional sense, Sir William emphasised.

For the rest, the leasing industry is in an ebullient and happy mood. It has been able to offer medium-term financing facilities to industry during times of great difficulty on an ever-expanding scale. It has been able to do this with a flexible approach to business.

One prominent lessor gives the example of a ten-year lease provided on a complicated and costly chemical plant development. Progress payments were met by the lessor over a period of two years, and during the first two years of operations, when financial returns on product output were low, small rentals were charged on the lease. Thereafter, when the industrial facility began to make good profits, the rentals were stepped up to levels profitable for the leasing company.

Lessors in the market place have found that lease-education among industrialists has improved markedly in the last year or two, but there is still much to be done in this area. The basic problem has been to remove the mystique of leasing and allow potential lessees to view it as simply a medium-term financing method which has certain advantages and disadvantages, of which tax considerations may or may not form a part.

At a recent conference Robert Napier, Fison's Group Treasurer, had the following to say when the group first took a look at leasing: "From the outset we regarded it as a method or source of financing no different from the overdraft or medium-term loans." There was an elementary difficulty in translating lease quotes (usually in pounds per thousand per quarter) into interest rates, b leasing conversion tables solv this problem. One advantage leasing was that fixed rates we available, but with hindsig "a floating rate may have be more advantageous in rece months in view of developmer in the money market."

His major criticism was th the keenness of lessors to business fluctuated with t months of the year. Becau lessors have taxable profits the end of their financial yea which are best used to inve in capital equipment for t purpose of deferring tax pa ments, they offer more compe tive rates at their accounti year-end. This means that t equipment must be deliver no later than the year end, a all documentation must completed. Napier pleaded f more flexibility on this poi "We cannot plan our capit expenditure programme to me the timing needs of the leas industry."

Matrix

At the same conferenc Napier received support fro the Regional Treasurer of She International, Mr. G. R. Whit ley, who asked that some kin of matrix be made availab which would indicate the pena ties associated with a delive slippage, so that decisions cou be directly related to the co factor. Many lessors, it tra spired, are beginning to do th

Problems would be creat for leasing companies if th Chancellor changed the basis taxation during the course the lease (tax variation claus are often a feature of lease But what the debate illustrate was that lessors willing to talk through proble of this sort.

The wider outlook for th future of leasing is invariab considered to be good, both fo the U.K. and for Europe large. At the annual conferen of European leasing association (Leaseurope) in Oslo toward the end of last year, it w estimated that leased equipmen purchases in the U.S. betwee 1972-76 amounted to $60.7bn., i the U.K. to $2.5bn. and in th whole of Europe to abou $18bn. Since Europe show every sign of following the U.S. and has a population one-and-a half times that of the U.S., ther is clearly considerable scope fo future growth.

A new phase opens to-morrow in the Egyptian-Israeli talks

The hard bargaining begins

By ROGER MATTHEWS Cairo Correspondent

SIDENT ANWAR SADAT'S epeated assertion that the lle East problem was 70 per psychological and only 30 cent. substantive faces a searching examination to-morrow. Since Novem- 19, when the President's air- touched down at Ben on Airport, one difficult of the 30-year conflict has substantially resolved: It proved remarkably easy for to talk to Arab, for Israelis Egyptians to be feted in other's capital cities, and hope to replace a bitter lessness.

it is accepted that in most les there is an inherent re to live in peace, then t Mr. Sadat did is simple, if it required enormous ical and personal courage. itably, and by design, the tional aspects of the events he past two months have those on which all atten- was concentrated, in the that once the barriers of icion were lowered the hanics of peace would me relatively straight- vard.

ut of course it takes more a few weeks to put aside which took several decades uild. The partial lowering he barriers is only of limited in deciding what price tag uld be put on an offer of ce. To that there has to be ed the presence of a dead- admitted but undefined. Sadat is a man in a hurry , while still richly endowed the legendary patience of Egyptians, must begin to w results before too long, ause of domestic political siderations, and also because he effect his actions are hav- on the rest of the Arab world. Therefore when his negotiating team, led by the newly-appointed Foreign Minister, Mr. Mohammed Ibrahim, sit down to-morrow in the Hilton Hotel in Jerusalem opposite their Israeli counterparts for the first session of the recently created political committee, they will be under firm instructions to hurry along the negotiations.

Breakdown risks

Whether the Egyptian desire for a sustained momentum is compatible with Israel's more cautious and certainly less overtly generous approach is likely to become known fairly quickly. The possibility of breakdown, raised by President Sadat in an interview in the weekly "October" magazine yesterday, is almost certain to be raised several times before there is real evidence that either side feels it has exhausted the possibilities for progress. Following on from Mr. Sadat's Jerusalem visit, the adjourned Cairo Conference, the talks on Christmas Day between the Egyptian President and Mr. Menachem Begin, the Israeli Premier, and the sessions of the parallel military committee in Egypt, there is an intention on both sides that the political committee should provide the vehicle for substantive negotiations that will open the way to a comprehensive Middle East peace agreement. At the very least the committee will have to define closely the main areas of disagreement which, in the last analysis, will probably require another meeting between President Sadat and Mr. Begin to resolve.

The momentary crisis atmosphere at the week-end centred on disagreements about the agenda, with the Egyptians (to an extent supported by the Americans who will be represented initially by Mr. Cyrus Vance, the Secretary of State) anxious to achieve a broad declaration of principle that can be waved in the face of Arab doubters. They will be pressing for a formula of words that offers a solution to the two principal demands—Israeli withdrawal from all Arab territory that was occupied during the 1967 war, and *self-determination for the Palestinians.* In both cases the time-scale will be crucial to any compromise. The U.S., Israel, Egypt and Jordan are basically in agreement that a new, independent and therefore probably radical Palestinian state on the West Bank of the river Jordan should not be created. *Although President* Sadat initially insisted on the right of the Palestinians to their own state when he addressed the Knesset in Jerusalem, he now looks ready to go along with an interim arrangement that would offer eventual self-determination.

As the Israelis are utterly opposed to a Palestinian state, and since Mr. Begin is already under attack for proposing a limited degree of civilian self-rule for the West Bank and Gaza Strip, the shift by President Sadat is important, the more so because he now seems *in tune with* U.S. thinking on the subject. If, as Mr. Sadat claims, he is now in complete agreement with President Carter, their common proposal would be for joint Israeli, Jordanian, Egyptian, and Palestinian administration of the West Bank and the Gaza Strip *for several years, after which* the inhabitants would be offered the chance to determine their own future. Whether Mr. Sadat will agree to the eventual "either-or" choice the Americans seem to be suggesting—that is federation with Jordan or with Israel—is highly debatable, unless he can succeed in his efforts to promote a credible yet moderate Palestinian leadership.

There is no indication yet that the Israelis can envisage a West Bank without their own military presence, or for that matter that they are willing to countenance the removal of the Jewish settlements from occupied Egyptian territory in Sinai. The latest outburst against the extension of these settlements and Mr. Begin's angry retort that he would withdraw his peace proposals, which had already been rejected by Egypt, unless Mr. Sadat modified his stance, may be in part an attempt to shift the spotlight off the West Bank. But it is also an example of the gut reaction of the Israeli leader to this issue. Mr. Sadat is no less insistent that no Israeli, civil or military, has any right to live on Egyptian soil, and is utterly convinced of the reasonableness of his demand that all of Sinai should be returned. But he would also accept a declaration of principle, a phased withdrawal, proposals for de-militarisation and whatever international guarantees that Israel may want and can secure.

Without such agreed "principles" Mr. Sadat is going to find it very hard to convince those of the Arabs who are sitting on the fence that his initial decision to visit Jerusalem was anything but a unilateral act of despair that further undermined Arab unity while strengthening the traditional enemy. King Hussein of Jordan is anxious to participate in the peace process and has been seeking support for Mr. Sadat in Saudi Arabia and the Gulf States, but cannot take a decision until he can show the Syrians a good cause for so doing. People who have talked recently to President Hafez al-Assad of Syria say that despite his presence in the anti-Sadat camp he is disappointed rather than bitter about the Egyptian leader, mainly because he is convinced that Arab rights will not be won in this manner. Whereas others may be merely sceptical whether the Israelis are willing to concede a just peace in the present circumstances, Mr. Assad is utterly convinced that they are not.

The PLO split

From the high point of Mr. Yasser Arafat's address to the UN in 1974 the Palestine Liberation Organisation now finds itself effectively barred from the current negotiations, at least under its present leadership which in turn shows signs of being pulled in opposing directions. Violence within the movement that seemed an inevitable consequence of Mr. Sadat's trip to Israel has already occurred with the deaths of three West Bank Arabs and of Mr. Said Hammami, the PLO representative in London. Few people doubt that there is worse to follow. What finally emerges will again be almost certainly influenced by Israeli attitudes in the next two months.

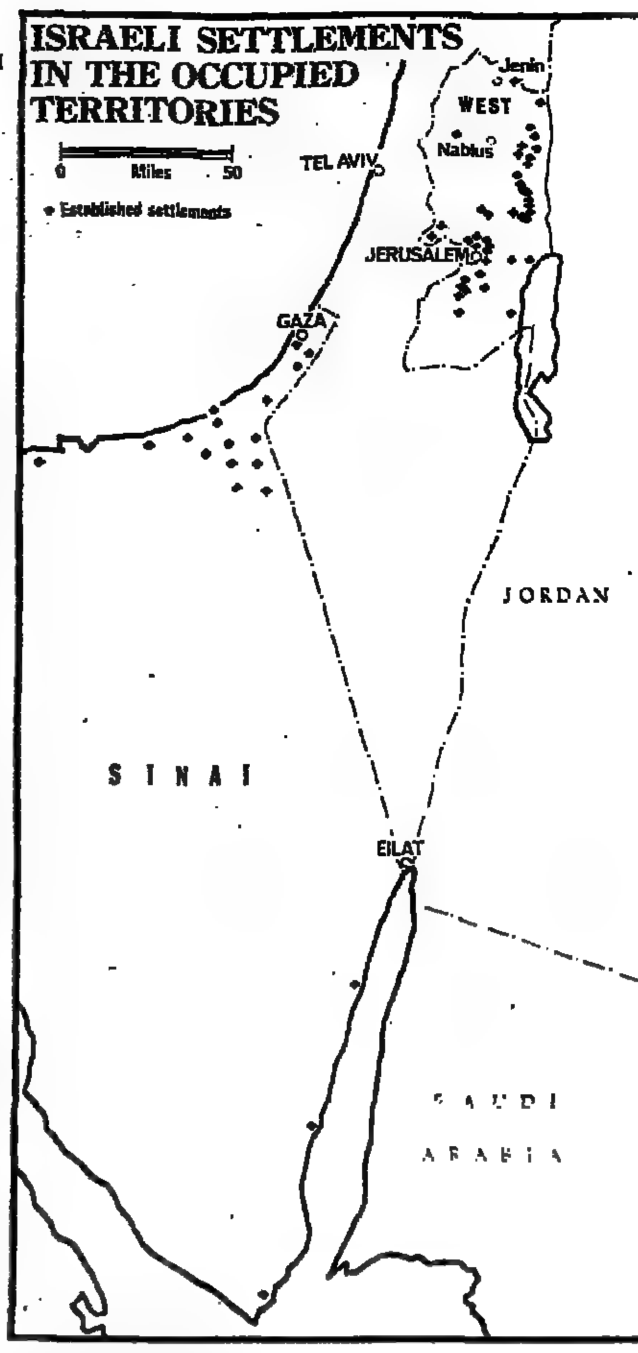
Mr. Sadat can certainly wait two months for what he hopes will be the twin effects of Israeli public opinion and concerted international pressure to make their mark. He appears to be unchallenged at home, and the chronic problems of the economy are such that six months are unlikely to make much difference so long as the state-subsidised food shops remain well stocked. The Americans can look to that.

There are suggestions that some elements of the army are doubtful about what Mr. Sadat is doing, but no officer is going to admit to anything but full support for the President at the moment. As long as the president continues to link his peace initiative with hopes of future prosperity he is likely to carry the bulk of the population with him, though simultaneously he will be sowing the seeds of subsequent dissent.

Whatever of President Sadat's optimism remains rests finally on three main planks. The desire of the present Israeli Government to reach a genuine peace; the effect of Israeli public opinion on the cabinet; and the pressure that the U.S. is willing and capable of exerting on Israel. Among senior Egyptian officials it is easy to find serious doubts expressed on all three points and hints can be heard that President Sadat is already mentally preparing for the dramatic televised appeal to world opinion that will send a shudder down everyone's spine as he talks even more emphatically of impending failure.

"President Sadat is far too politically aware and cunning ever to enter a room without knowing where the exit is," one of his admirers in Cairo says. "If the Israelis believe they can stall the negotiations for so long that he will eventually be forced into signing a bilateral deal, they are totally mistaken. Yes, he will sign with Israel, but only in the context of the principles that will also cover the Palestinians, Jordan and Syria."

After the excitement and *euphoria of Sadat in Jerusalem* and Begin in Ismailia—both occasions when hope gave way to disappointment—the first session of the political committee should at least be held in an atmosphere of sober understanding that the really hard bargaining has begun. It will be set against the need for *speed and the sure knowledge* that failure, as Mr. Sadat has said, "is too dreadful to contemplate."



Letters to the Editor

No call for a binge

From the Chief Economic Adviser, Confederation of British Industry.

Sir,—I was very *disappointed* see how Mr. Anthony Harris, his "Lombard" column on uary 12, has misunderstood misrepresented the CBI ition on taxation, public nding, and the use of the ernment's revenues from rth Sea oil.

t is true that the CBI calls on ernment to hold its total nding broadly constant in real ms at the 1976-77 level ough to 1981-82 so that as the nomy grows public spending be reduced from 44 per cent. GDP back to 38 per cent. re it was at the start of the ade. It is also true that we urging the Government to e advantage of its North Sea enues and the positive effects economic growth on its enue from all taxes to reduce l tax by 5 per cent. of GDP r the five years to 1981-82, inly by cutting the amount en in income tax by 30 per t.

is not true, however, that we h to see North Sea oil used finance any consumption ge, or to consume the nation's ital. Our tax proposals would se the growth of private coner spending by about 1½ per a year in real terms, and to arge extent reflect a switch n public to private consump-.

he CBI believes that it is petitive market forces which r the best assurance that we all be able in future to get goods and services which we t produced by the most ient means and, therefore, at lowest prices in the long run. believe, as Mr. Harris nowledges, *that we should* k to market forces to indicate t investment is needed, and ourage the investment growth the private sector which ernment and both sides of ustry wish to see. That goal l not be achieved so long as are burdened with such a atively heavy weight of taxa-.

he logical outcome of Mr. rris's argument would seem to that we should channel North revenue into selective invest- nt in industry through the te. But I can hardly believe t he would trust politicians l civil servants to invest it sibly and profitably.

t is not merely a question of wing more disposable income be spent in the market place obtain the necessary pointers new investment. Reduced her rates of income tax will w the thousands of owners of all businesses to plough more ney back into their firms. wer income tax at all levels l encourage management and factory floor to make more cient use of our capital, so t we can compete more ectively at home and abroad. r industry and commerce will n be more profitable and tter able to finance the invest- nt needed to respond to higher mand which will follow in- ased competitiveness.

Meanwhile we are not opposed public spending *per se*. In lling for a freeze on total ending we are not calling for freeze on every programme at 1976-77 or present level. More ending will be justified on me programmes, mainly on *vestment in the infrastructure* ential for an expanding dustrial economy. We need to velop alternative sources of ergy. This can be done without ducing standards of public rvices by a sustained effort to minate waste, inefficiency and bureaucracy. Indeed, there is clear scope for raising the standards of public services while spending less in real terms.

(Sir) Donald MacDougall.
21, Tothill Street, S.W.1.

Give them the money

From Lord Killearn.

Sir,—The CBI is right and Lombard wrong. The analogy drawn by Anthony Harris (January 12) is ill-founded; he confuses the nation, the operators (British or other) and the State.

The immediate effect of the North Sea oil bonanza is on the balance of payments. The oil is sterling oil (whoever the operator) and territorially British. What the size of this benefit may be in 1978, 1980 or 1985 is open to discussion; but it is not the figures we are talking about.

The operators (including British National Oil Corporation) may or may not, after the swingeing Government take, make a profit. If there is an overall profit across the entire field, after due allowance for *exploitation and depreciation* (of both plant and reserves) this is the "tranche" to which Lombard's arguments apply.

The Government take, through ordinary and special taxes and from the profit on its share of oil sales, is the benefit to the revenue which MPs and others are so busy apportioning in advance to various more or less deserving objectives — for example alleviation of general tax levels or the direct or indirect support of increased industrial investment.

Taking the figure most commonly bandied about — presumably for 1980—of £3.5bn., the first point is that this sum has *already been mortgaged* as extra investment in the Government's dramatically increased borrowing and deficit financing in recent years (even taking account of the enforced IMF run-down of such spendthrift borrowing/spending to a point of balance). And even if one accepts this point of high finance, the Government is not (and should not be) in any position to invest in the oil or any other industry by loan or participation, except such monoliths as BNOC or NEB which are clearly wealth-destructive and not wealth-creative.

Therefore (a) there is no free revenue surplus to be allocated to any form of free-spending and (b) if, *because of the* improved balance of payments situation, the whole national economy becomes more relaxed and/or expansive, the only way this can be put into increased industrial investment is by encouraging confidence and by putting the extra funds into the hands of the actual spenders, whether consumers or investors.

Lightening the current crushing load of taxation (regardless of the figures) must certainly be the principal method of achieving this.

Killearn.
6, Trevor Street, S.W.7.

Living with a strong pound

From the General Secretary, Association of Professional, Executive, Clerical and Computer Staff

Sir,—The public debate on the exchange rate suffers from a failure to examine all the factors involved.

The excessive fall in the value of sterling in 1976 led to a drop in living standards, to a situation where goods aimed at the depressed home market were built at a standard which did not allow them to compete abroad, and to a consequential growth in unemployment.

The deliberate policy of the Treasury in not allowing the pound to rise to a more natural level early in 1977 was based on its addiction to the belief that exports compete on price alone and that the impact on domestic costs of devaluation could be ignored. This cost the nation dear. The Government's proposals for Phase Three were torpedoed. This contributed in a large measure to the increase in industrial disputes with an effect on output and costs.

No one mentions the Common Agricultural Policy. Yet the idea that a Green Pound overvalued by more than 30 per cent. could be permanently maintained is quite unrealistic, with all that implies for wage costs. The effect of the rise in *sterling on agriculture in terms* of reduced import costs, lower monetary compensatory amounts for our European competitors and the effect of the proposed change in calculating the European unit of account, are all vital factors.

The analysis of the rise in sterling has been treated as if it had been uniform in terms of all foreign currencies. In fact three major components are involved: the fall in the dollar which has a beneficial effect on many of our raw material imports in addition to its impact on our U.S. imports and exports of manufactured goods, the natural recovery of sterling in terms of many currencies from the unrealistic 1976 levels, and the greater appreciation of the yen, mark and other hard currencies which helps our competitive position. Overall a development that results in lowering raw material costs while our principal competitors have currencies that appreciate faster than *our own can hardly* be a disaster.

We should recognise that the current depressed level of the dollar is only temporary. This means that it is likely to recover in the next year, as sterling did last year.

The key question is not "How do we reduce the exchange rate *to make industry more competitive?*" but rather, "How do we make industry more effective at the higher exchange rate that we shall enjoy for the next decade?" This clearly involves a major debate as how best to use the new economic stability that the ending of our overseas deficit ensures.

Because the large fall in the dollar is temporary we should play our part in helping to avoid such a destabilising factor. Our reserves and anticipated 1978 balance of payments surplus are such that we should now embark on a programme of repaying up to £3bn. in dollar loans. An announcement of such a policy would further help the restoration of confidence in the dollar.

In the Budget, steps should be taken to reduce taxation that falls on our manufacturers but not on imported goods. The levy on National Insurance contributions is one such tax. There are other steps that the Budget should take with the aim of stimulating new investment. Now that raw material prices are falling, stock relief should be cut to assist those companies engaged in new investment programmes. A policy of raising living standards progressively while reducing the cost of long-term *borrowing will be a major* factor in reducing unit costs and securing new investment. Above all we need a policy that avoids unpredictable changes, in which factors such as movement in the exchange rate are moderated so as not to exceed 5 per cent. in any year. It is excessive and unpredictable changes in values that are the most counter-productive. Our new stability should be used to avoid them.

Roy Grantham.
22, Worple Road, S.W.19.

Mean yearly wind speed

From Mr. M. Bond.

Sir,—Mr. P. McClory's letter (January 12) correcting some facts relating to an American wind generator seems typical of the subtle way in which the mythology of the viability of most forms of solar energy is perpetuated.

He refers to the machine as a 1.25 MW wind generator, yet this figure is virtually meaningless without knowing the wind speed required to drive the machine to produce that amount of electricity and how often that wind speed was reached at the site. Further to achieve a meaningful assessment one would like to know just how much electricity the Central Vermont Public Service Company received over a period of say one year and the present day cost of building a similar machine, bearing in mind the land required to accommodate the 87 foot arms, the cost of maintenance and depreciation of the environment.

The average amount of energy required for each person in Britain to-day is 6 kW per hour, and I would be surprised if that wind machine was able to provide mor than seven Britons with their daily energy requirements.

I have based my calculations on some figures quoted in Professor Sir Fred Hoyle's booklet, "Energy or Extinction," and on the assumption of a mean yearly wind speed of 12 miles per hour, known to mariners as Force 3 *on the Beaufort scale.*

M. G. B. Bond.
744, Chelsea Cloisters, S.W.3.

GLC sale of houses

From Mr. W. Simpson.

Sir,—The word "research" is debased by its use in the titles of groups like the Labour Research Department whose report on Greater London Council's sale of houses you quoted in your issue of January 10.

When a company has loss-making subsidiaries it sells them *if it can*, at a commensurate discount: this is liability-stripping. The Labour Research Department however describes the GLC's equivalent action in selling council houses as "short-sighted asset-stripping" which seems to me to be a deliberately misleading use of what has become a negative catch-phrase, in an entirely *different context.*

The suggestion in the same paragraph that if council tenants are given the right to buy their homes tenants of private landlords should have this right also, shows a marked lack of thought. Both classes have always had this right but the condition precedent to its exercise has always been the landlord's willingness to sell, and that condition has until now been lacking so far as GLC tenants are concerned.

Are the Labour Research people perhaps trying to say that if the GLC sells houses at a discount every private landlord should be forced to do the same, *whether or not legislation is at* present forcing him to subsidise the tenant, and whatever his long-term view of the profitability or otherwise of his property may be?

W. J. Simpson.
15, Wallgrave Road, S.W.5.

To-day's Events

GENERAL

Balance of payments figures for December.

EEC Fisheries Ministers begin three-day meeting, Brussels.

New session of European Parliament opens, Luxembourg (until January 20).

Yorkshire and Scottish areas of National Union of Mineworkers meet in Barnsley and Edinburgh on local productivity schemes.

Mr. Michael Edwardes, British Leyland chairman, meets national union officials and senior shop stewards and is expected to give them further details of proposed long-term rundown of its labour force and future shape of car operations.

First meeting of new International Sugar Council.

British Steel Corporation *accused of contravening Health* and Safety at Work Act, Lincoln Crown Court.

First meeting of London Chamber of Commerce Small Firms' Group, on tax problems, 69, Cannon Street, E.C.4, 10.30 a.m.

Exhibition of mini- and micro-computers opens at U.S. Trade Center, 4, Langham Place, W.1 *(until January 20).*

Sir Peter Vanneck, Lord Mayor of London, attends Gardeners' Company dinner, Mansion House, E.C.4.

PARLIAMENTARY BUSINESS

House of Commons: Civil Aviation Bill, and Shipbuilding *(Redundancy Payments)* Bill, second readings.

OFFICIAL STATISTICS

Cyclical indicators for U.K. economy (December). Retail sales (December, provisional).

COMPANY RESULTS

Allied Colloids (half-year). J. B. Eastwood (interim figures only).

COMPANY MEETINGS

See Week's Financial Diary on page 23.

OPERA

Royal Opera production of La fanciulla del West, Covent Garden, W.C.2, 7.30 p.m.

D'Oyly Carte Company in The Pirates of Penzance, Sadler's Wells Theatre, E.C.1, 7.30 p.m.

MUSIC

Paul Berkowitz gives piano recital of works by Mozart, Bartok, and Brahms, St. Lawrence Jewry next Guildhall, E.C.2, 1 p.m.

Organ recital by Richard Popplewell, St. Michael, Cornhill, E.C.3, 1 p.m.

Ulrich Thieme (recorder) and Hans M. Koch (renaissance lute and guitar) in programme including *works by Telemann, Handel,* Caldara, Dowland, Frescobaldi, and Leo Brouwer, Wigmore Hall, W.1, 7.30 p.m.

Alfred Brendel (piano) in Mainly Schubert series, Queen Elizabeth Hall, S.E.1, 7.45 p.m.

COMPANY NEWS

Frederick Burgess to stay private

BY KEITH LEWIS

A consortium of four financial institutions is to put up at least £2.58m. of a £3m. fund-raising operation for **Frederick H. Burgess**, the public but unquoted agricultural equipment distributors and manufacturers. The four, headed by **Charterhouse Development Corporation** and including **Industrial and Commercial Finance Corporation** (ICFC), **Estates Duties Investment Trust** (EDITH) and **Railway Pensions Investments**, will subscribe for variable rate Preference stock, which guarantees holders a net return of at least 9½ per cent. per annum.

The scheme is especially unusual in that it is a method of raising new capital which preserves the voting power of existing holders—the company is 80 per cent. family controlled—and which avoids any valuation being placed on the equity of the company for tax purposes.

Any scheme that placed a market value on the Ordinary shares could be used by the Inland Revenue for Capital Transfer Tax and Capital Gains Tax assessments against the family. As things stand, holders are able to negotiate share valuations which may be lower than strict market value.

The scheme is further seen as an alternative to a public flotation of the company which, according to financial advisers Charterhouse Japhet, was a possibility 5-10 years aago. Mr. Anthony Burgess, a director, told a Press conference yesterday that the members of the Board saw no advantage in "going public," although there is the possibility that a quotation will be sought for the new Preference shares.

The holdings are to be split as to 33⅓ per cent. apiece for ICFC and Railway Pensions, 25 per cent. for Charterhouse Development and 8⅓ per cent. for EDITH. Ordinary shareholders will have the opportunity to subscribe for £420,000 of the new stock on the basis of two-for-five Ordinary shares held, though the institutions have said that they are prepared to take up any outstanding stock.

The rate of interest paid on the Preference shares will vary according to a complex formula linked to the profitability of the group over 1977 and 1978. Pre-tax profits of £2.2m. were achieved in 1976 and the Board is forecasting a figure of £2.7m. for the current year. A "standard profit" figure of between £3m. and £3.5m. will be used for determining dividends which will rise, after January 1979, by 2½ points over 9½ per cent. for every £1m. in excess of the "standard profit" figure. So, on the basis of an actual profit of £5m. against a standard profit of say, £3m., the interest rate would rise from 9½ per cent. to 14½ per cent.

Burgess is traditionally a distributor of farm machinery, but moved into the area of manufacture when it acquired voting control (57.8 per cent.) of Bamfords last year. The new cash is to be used in reducing bank borrowings and also in expanding the group's national spread in distributorships.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TO-DAY

Interims:—Allied Colloids, Best and May, Cray Electronics, J. B. Eastwood, Howard Shuttering, Wellman Engineering.

Finals:—Braid Group, Great Northern Investment Trust, Meggitt Holdings, Spencer Clark Metal Industries.

FUTURE DATES

Interims:—

Amalgamated Distilled Products ... Jan. 24
Gelfer (A. and J.) ... Jan. 19
Hallite Holdings ... Jan. 20
Stoddard ... Feb. 3

Finals:—

Mackinnon of Scotland ... Jan. 19
Westinghouse Brake and Signal Jan. 19

Euroferries £20m. scheme

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

At first sight European Ferries, the cross-Channel ferries group, is a most improbable property developer. But in the next few weeks Lambeth Borough Council will be considering Euroferries' proposals for a 300,000-square-foot office development on a Thames side site by Vauxhall Bridge.

The scheme, which includes an element of residential accommodation to placate local planners, is likely to cost £15m. to £20m. and involve Euroferries in complex funding arrangements with an institutional investor.

Until the property crash development-for-sale projects provided a lucrative method of exploiting the group's heavy cash flow. Before 1973, when the property bubble finally burst, Euroferries derived as much as 10 per cent. of its pre-tax profits from property dealing. In 1973 the group told shareholders that its property division would "not in the future be of material significance in group terms."

Later that year Mr. Keith Wickenden, Euroferries' chairman, wrote that the property division had, as a matter of policy, been gradually reduced in size over the previous five years and that no profits would come from that business "unless we set out to reactivate the division."

In the post-crash years the group has concentrated its property interests in a 75 per cent. subsidiary, the balance is controlled by a firm of consulting architects. The subsidiary has limited its developments to commercial property. Loans made by the parent company to the subsidiary provide commercial returns for the group, and with unused capital allowances on its ship building programme of £50m.- plus the group is able to take full tax free benefit of the subsidiary's develop-for-sale policy.

In 1976 the move towards commercial property enabled Mr. Wickenden to comment that in property "it has become clear that there are considerable opportunities for profitable investment provided that extreme caution is exercised. We have therefore taken advantage of our strong liquid position and I expect this division to make a worthwhile contribution to group profits in 1977."

The 2.6 acre site was bought for around £400,000 from Land Securities Investment Trust, which had offered it to the highest bid over £1 after seventeen years of frustrated planning wrangles. Where Lord Samuel's Land Securities failed Mr. Wickenden's team and their unnamed institutional backers hope to succeed. If the 300,000 sq foot office, project ever emerges from Lambeth's planning offices Euroferries will have pulled off a coup.

Although building costs would range up to £20m. the eventual capital value of such a scheme could top £40m. Even though European Ferries might have only a small slice of the equity in the final project the fact that the company would be able to pass its share of the profit through its capital gains tax loop hole would make this a pleasant bonus for shareholders.

Leonard Burt

Mr. David Gestetner, joint chairman of Gestetner. Full year results are due to be announced to-morrow.

Citibank sells Singapore stake to Midland Bank

Midland Bank is to take over the 40 per cent. stake in First Overseas Credit, a Singapore finance house-cum-merchant bank, which is currently held by First National Citibank of the U.S.

Parties to the deal declined to comment on the reasons for Citibank's withdrawal, or on how much the U.S. bank will receive for its stake.

The fact that Midland Bank is providing the new general manager for FOCL, Mr. William Lewis, suggests some change in the consortium's management style. Citibank has previously provided its top management. A name change is also possible.

FOCL was set up in 1970 as a finance house but combining the functions also of merchant bank and development bank. Apart from Citibank, its shareholders are Overseas-Chinese Banking Corporation holding 45 per cent., Great Eastern Life Assurance. 10 per cent., and Overseas Assurance Corporation five per cent. These are local groups. Midland Bank is overseas correspondent to DCBC and is also one of the seven European partners in European Asian Bank, another consortium venture in Singapore.

This is the second withdrawal by Citibank in recent months from joint banking ventures in this region. Last month it announced its intention of disposing of its 45 per cent. stake in Rakyat First Merchant Bankers in Kuala Lumpur, a joint operation with Bank Kerjasama Rakyat (Malaysia).

In October last year, another leading U.S. bank, Bank of America, announced the restructuring of its consortium banking venture in Singapore and in Hongkong. Asian and Euro-American Merchant Bank, involving the departure of four European banks from the venture.

Nationalisation accountants on schedule

Accountants Whinney Murray, who are acting as the Government's accountant adviser, say that they are "on schedule" for completing assessments and valuations of the unquoted shipbuilding and aircraft interests nationalised by the Government. These will form the basis for the calculation of a payment on account to be made early next month to companies such as Swan Hunter and Vickers.

Lord Winterbottom said in the House of Lords last November that the size of the payment on account "will be related to the provisional valuation placed on each company."

Whinney Murray have been completing valuations and assessments progressively since December, and are expected to finish the operation by February. Once completed, according to Lord Winterbottom "it will enable the Government's opening position to be formulated, after which negotiations can proceed." So far no discussion has taken place between the Government and the companies involved over compensation terms.

Robert Jenkins sells subsidiary for £200,000

The Board of Robert Jenkins (Holdings) announces the sale of R. J. Building Products, ("RJBPL") to GPG Holdings part of the Guinness Group of companies, for £200,000.

In addition, GPG will take over all indebtedness of the company. In terms of commercial activity RJBPL carries on a substantially different business from the other companies in the Robert Jenkins group and the sale is part of a policy of concentration on activities more related to the engineering base of the group.

The cash received and the borrowings released will be redeployed in the Group's existing business.

STRATHERN INV. ACQUISITIONS

Strathern Investments has acquired a 75 per cent. stake in Nutscene, a garden twine and horticultural products company based in Scotland.

Mr. Bruce S. Kyle, chairman of Strathern, says the investment is a first step in the company's planned entry into garden care and other do-it-yourself markets.

The company has also recently acquired over 90 per cent. of the equity in Robertson Ireland and Company, the jute merchanting and furnishing fabrics concern.

FT share service

The following securities have been added to the Share Information Service appearing in the Financial Times:—

Dana Corporation (section: Americans). Holden (A.) (section: Industrials).

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Poole (02013 5151)	9½	½-year	500	4
Poole (02013 5151)	10	½-year	500	5-7
Redbridge (01-478 3020)	10	½-year	200	5-7
Thurrock (0375 5122)	9¾	½-year	300	4
Thurrock (0375 5122)	10	½-year	300	5-7

APPOINTMENTS

Executive changes made at Allied Irish Banks

Mr. Niall Crowley, who became chairman of ALLIED IRISH BANKS in October, has been appointed chairman of the subsidiaries, Allied Irish Finance Company and Allied Irish Investment Bank, in succession to Dr. E. M. R. O'Driscoll, who remains a director. Mr. Joseph McGlinn, group managing director, has become deputy-chairman of the subsidiary Boards. Mr. Michael J. Murphy, managing director of Allied Irish Investment Bank, has been co-opted to the Board of Allied Irish Banks, and Mr. James Golden, investment manager of Allied Irish Investment Bank, has been co-opted to the Board of that bank.

★

BRITISH AGRICULTURAL EXPORT COUNCIL has elected a new Board of seven directors under its revised constitution. Mr. W. Johnstone (chairman, Meat and Livestock Commission, and former deputy-chairman of ICI's plant protection division) is chairman of the Council. Other members are: Mr. R. C. Butler (deputy-president, National Farmers' Union); Mr. J. E. Colman (chairman and joint managing director, Colman and Co. (Agricultural)); Mr. L. J. C. Evans (director, Booker Agriculture International); Mr. H. Samek (executive director, John Blackwood Hodge and Co.); Mr. J. Stobo (representative of Scottish Agricultural Export Group); and Mr. J. M. Thomas (joint deputy managing director, Taylor Woodrow International). Mr. J. Thorneloe is the Council's chief executive.

★

Mr. John H. Gabony, director of manpower, will retire from the PORT OF LONDON AUTHORITY at the end of June after 42 years' service. From February 1, Mr. John McNab, now director of upper docks, will become joint director of manpower and will work closely with Mr. Gabony until his retirement. Mr. John N. Black, now director of Tilbury, becomes director of docks with immediate effect.

★

Mr. J. R. L. Cuningham has been appointed to the Board of CLIVE INVESTMENTS, the investment management subsidiary of the Clive Discount Group.

★

Mr. D. E. Chambers, Mr. D. M. Gray and Dr. P. Cartwright have been appointed members of WILLIAMS DE BROE HILL CHAPLIN AND CO., stockbrokers.

★

Mr. W. Proudfoot, general manager and actuary of the Scottish Amicable Life Assurance Society, has been elected chairman of the ASSOCIATED SCOTTISH LIFE OFFICES. He succeeds Mr. R. E. Macdonald, who has completed the usual two-year term in the chair. Mr. J. M. Macharg, general manager and actuary of the Scottish Provident Institution, has become deputy chairman of the Association.

★

Mr. Philip Robinson has joined the Board of managing trustees of MUNICIPAL MUTUAL INSURANCE and its subsidiaries.

★

Mr. I. S. Wallace has been appointed a director of HARTLEY COOPER UNDERWRITING AGENCY.

★

Mr. Leonard Boyle, a past chairman of the Building Societies Association, has been appointed consultant to the MANCHESTER EXCHANGE AND INVESTMENT BANK.

★

Mr. Philip G. Holt, previously Southern Area manager, has been appointed assistant regional director of FORWARD TRUSTS's South Eastern Region. He will be based at the regional head office in Waterloo Place, SW1, and his responsibilities will span London, the Home Counties, and the South and South East. Mr. Alan Cox, formerly field operations controller, has been made assistant regional director of Forward Trust's Northern Region. Based at the regional head office in St. Peter's Square, Manchester, his responsibilities will cover the North West, Yorkshire, North Wales and Cheshire. Forward Trust is a subsidiary of Midl[and] Bank.

★

Miss Leslie Field has b[een] appointed editor of the TAT[LER] AND BYSTANDER.

★

Mr. Arthur Birtwistle has b[een] appointed as a non-execu[tive] director of SILICONE FABRI[CA]TIONS. Mr. Birtwistle is [a] former director of Lankro Che[mi]cals.

★

CANADA LIFE ASSURAN[CE] COMPANY. Mr. F. L. Strev[...] has been appointed dep[uty] general manager for the U.K. [and] Ireland. He was previo[usly] assistant general manag[er] administration. Mr. R. S. Jack[...] becomes agency vice-preside[nt] U.K. and Ireland, with conti[nu]ing responsibility for s[...] operations. Mr. V. P. Know[...] has been made secretary, [and] Mr. D. A. Loney becomes actu[ary] both for the U.K. and Ireland.

★

Mr. John Gillam has resig[ned] as a director of WOOD HA[LL] TRUST.

★

WATERLOW (LONDON) [has] promoted four of its manag[ers] to the Board. Mr. Barry Barn[...] becomes finance director, [Mr.] Donald Creates, sales director, [Mr.] Leslie Packell, commercial dir[ec]tor, and Mr. Victor Williams publishing director.

★

Mr. Stelio Hourmouzios is ret[ir]ing as a director and secreta[ry] of NIARCHOS (LONDON) [on] January 31.

★

Mr. A. J. Bell has be[en] appointed managing director [of] F. A. MARSDEN following [the] retirement of Mr. R. E. Pearm[...] who will continue as a consult[ant] to the company.

★

Mr. Peter L. McIlwra[ith], managing director of Indalex, [has] been appointed chairman of [the] ALUMINIUM EXTRUDERS' ASS[O]CIATION for 1978.

★

Mr. K. R. R. Rayment has [be]come a director of A. L. STUR[GE] (SYNDICATES MANAGEMENT).

Business loans limit up

BY MICHAEL BLANDEN

NATIONAL WESTMINSTER Bank is raising the upper limit for its special business development loans and farm development loans to help small businesses.

The limit on business development loans is raised from £50,000 to £100,000, and from £30,000 to £50,000 for farm development.

The loans provide a source of medium-term fixed rate credit, with agreed repayment schedules for the business and professional sectors.

The loan and interest are repayable in equal monthly instalments over one to five years, although exceptionally they may be extended to 7 years.

The business development loans cost a flat interest rate of 6½ per cent. a year, equivalent to a true rate of 12.3 per cent. over five years, if the loan is secured, and 8 per cent. flat (15 per cent. true) unsecured.

They are designed to provide finance for a variety of purposes, such as buying or extending business premises, buying a business or professional practice, buying plant or machinery and providing working capital.

The term of the loan is worked out in relation to an appraisal of the profit flow and the expected life of assets purchased with the funds.

Farm development loans, available for buying stock, fertiliser, machinery and plant and farm improvements, cost 6½ per cent. flat (12.3 per cent. true over five years) secured and 7½ per cent. flat (14.1 per cent. true) unsecured. A 1 per cent. arrangement fee is normally payable at the outset.

The bank said that the schemes had advantages for borrowe[rs] including borrowing at a fix[ed] and reasonable rate of intere[st] at a time when companies rema[in] conscious of the sharp fluctu[a]tions which have taken place [in] interest rates over the past yea[r] and the ability to budget for settled repayment programme[s].

Ship need likely to stay static

WORLD demand for ships is likely to remain static until at least 1985. This forecast is given in Dry Cargo Ship Demand to 1985, published to-day by Maritime Transport Research.

Also forecast are "a massive" dry cargo ship surplus continuing well into the 1980s, and a world seaborne trade below expectations next nyear.

Long-term growth rates in sea trade to 1985 are estimated at 3 per cent. per annum, half that recorded during the late 1960s. This sluggish rate is likely to be compounded by an imminent short-term depression pushing growth below the modest 3 per cent. forecast.

Changes in the mixture and form of dry cargo arising from growing port costs are likely to stimulate further the effective dry cargo surplus.

This is likely to have a major effect on demand for certain types of ships. There may be almost no demand for bulk carriers of the popular "work horse" size in the 1980s. But demand for large "Panamax" type ships is likely to increase and this type could carry 25 per cent. of all deep sea trade by 1985.

Overall, the demand for bulk carriers will be "painfully small," the report says.

Delivery of bulk carriers between 1979 and 1985 will have to drop by a maximum average of 3m. deadweight tonnes per annum if supply and demand is to be balanced by 1985.

The figures ignore the impact of reduced demand for oil tankers on the use of combined dry cargo-oil ships. No more bulk carrier orders would be needed if most of the "Combos" ships are used for dry cargo up to 1985.

Against this is the prospect of healthy demand for other types of dry cargo carriers. Demand for containerships and roll on-roll off carriers could be "higher than it has ever been." Multi-purpose cargo liners are likely to be still in demand the report concludes.

Pending dividends timetable

...or the convenience of readers the dates when some of the ...important company dividend statements may be expected in ...ext few weeks are given in the following table. The dates ...are those of last year's announcements except where the ...coming Board meetings (indicated thus*) have been officially ...shed. It should be emphasised that the dividends to be ...ed will not necessarily be at the amounts or rates per cent. ...in the column headed "Announcement last year." Preliminary figures usually accompany final dividend announcements.

	Date	Announcement last year
...nt and Wilson	Feb. 16	Final 2.289
...ders Discount	Jan. 23	Final 9.329
...	Jan. 13	Final 7 cents
American Secs.	Feb. 9	Sec. int. 1.84
...bds.	Feb. 1	Final 4.725
...	Jan. 13	Int. 1.54
...ualeast	Feb. 16	Final 3.763
Enkalon	Feb. 21	Final nil
Sugar	Jan. 26	Final 4.645†
(John)	Jan. 27	Int. 2.6
...ston Viyella	Feb. 16	Final 1.3475
Bank of Aust.	Feb. 23	Int. 8 cents
...	Jan. 27	Int. 1.1375
...	Feb. 10	Int. 5.2383
Internatl.	Jan. 24	Int. 2.1
...ure Corpn.	Feb. 17	Final 1.9
...	Feb. 8	Int. 3
Photo.	Jan. 19	Int. 0.825
Group	Feb. 7	Int. 2.98
...s Prop. Inv.	Feb. 23	Int. 0.5
Lovell	Jan. 26	Int. 1.144
...n and ...onial Tst.	Feb. 16	Final 3.05
...ner	Jan. 17	Final 1.7984
Bros. Discount	Feb. 23	Final 8.126
...ropolitan	Jan. 20	Final 2.4027
...rthern Inv. Tst.	Jan. 16	Final 2.37
...ise Post	Jan. 26	Int. 3.5
Hambro Trust	Jan. 26	Int. 0.5
*ICI	Feb. 23	Sec. int. 6.79035
*Imperial Group	Feb. 7	Final 3.318
Inchcape	Jan. 27	Int. 6.825
Land and House Prop.	Dec. 21	Final 2.08
*Lloyds Bank	Feb. 17	Final 4.422
*Lonrho	Jan. 20	Final 2.8155
*Magnet and Southerns	Jan. 18	Int. 3
Marchwiel	Feb. 21	Final 2.15
*MIM Holdings	Jan. 24	Int. 3 cents
*NatWest Bank	Feb. 28	Final 5.5623
Notts. Mfg.	Feb. 14	Final 2.0732
Plessey	Jan. 27	Sec. int. 2.2
Prestige	Feb. 1	Final 3.25
*Prop. Sec. Inv. Tst.	Jan. 17	Int. 0.495
Provident Financial	Feb. 21	Sec. int. 4.4333
*Rank Orgn.	Jan. 23	Final 4.9393
River and Merc. Trust	Feb. 17	Final 4.5
Scot. Util. Inv.	Feb. 5	Final 1.2
*Stock Conversion	Jan. 18	Int. 0.8125
Sunley (B.) Inv. Tst.	Feb. 17	Int. 1.66375
*Tate and Lyle	Jan. 25	Final 3.71
*Trident TV	Jan. 17	Final 1.616
Trust House Forte	Feb. 9	Final 5.8
*Union Discount	Jan. 25	Final 11.378
Wagon Finance	Jan. 29	Final 3.75

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Public Works Loan Board rates

Years	Quota loans repaid by EIP†	by EIR‡	at maturity	Non-quota loans A* repaid by EIP†	by EIR‡	at maturity
-5	9½	8¾	9¾	10¼	10¼	10½
5, up to 10	9¾	9¾	10¼	10½	10½	11
10, up to 15	10¼	10⅜	10¾	10¾	10¾	11¼
15, up to 25	10½	10¾	11	11¼	11¼	11¼
25	11	11½	11½	11¼	11⅜	11⅜

Non-quota loans B are 1 per cent. higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Equal repayments.

Effective from January 7

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

...nunciation date usually last day for dealing free of stamp duty. b Figures on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; based on previous year's earnings. F Dividend and yield based on prospectus ...er official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows ...nversion of shares not now ranking for dividend or ranking only for restricted ...nds. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued ...nder. || Offered to holders of Ordinary shares as a "rights." ** Rights ...ay of capitalisation. †† Minimum tender price. ‡‡ Reintroduced. ¶¶ Issued ...nection with reorganisation merger or take-over. §§ Introduction. □ Issued ...mer Preference holders. ■ Allotment letters (or fully-paid). ● Provisional ...rtly-paid allotment letters. ★ With warrants.

BASE LENDING RATES

A.B.N. Bank	6½%	■ Hill Samuel	§ 7 %
Allied Irish Banks Ltd.	6½%	C. Hoare & Co.	† 6½%
American Express Bk.	6½%	Julian S. Hodge	7½%
Amro Bank	6½%	Hongkong & Shanghai	6½%
A P Bank Ltd.	7 %	Industrial Bk. of Scot.	7 %
Henry Ansbacher	6½%	Keyser Ullmann	6½%
Banco de Bilbao	6½%	Knowsley & Co. Ltd.	9 %
Bank of Credit & Cmce. ||	6½%	Lloyds Bank	6½%
Bank of Cyprus	6½%	London & European	8½%
Bank of N.S.W.	6½%	London Mercantile	6½%
Banque Belge Ltd.	6½%	Midland Bank	6½%
Banque du Rhone	7 %	■ Samuel Montagu	6½%
Barclays Bank	6½%	■ Morgan Grenfell	6½%
Barnett Christie Ltd.	8½%	National Westminster	6½%
Bremar Holdings Ltd.	7½%	Norwich General Trust	6½%
Brit. Bank of Mid. East	6½%	P. S. Refson & Co.	6½%
Brown Shipley	6½%	Rossminster Accept'cs	6½%
Canada Permanent AFI	6½%	Royal Bk Canada Trust	6½%
Capitol C & C Fin. Ltd.	9 %	Schlesinger Limited	7 %
Cayzer Ltd.	7 %	E. S. Schwab	8½%
Cedar Holdings	8 %	Security Trust Co. Ltd.	7½%
Charterhouse Japhet	6½%	Shenley Trust	9½%
C. E. Coates	7½%	Standard Chartered	6½%
Consolidated Credits	7½%	Trade Dev. Bank	6½%
Co-operative Bank	6½%	Trustee Savings Bank	6½%
Corinthian Securities	6½%	Twentieth Century Bk.	7½%
Credit Lyonnais	6½%	United Bank of Kuwait	6½%
The Cyprus Popular Bk.	6½%	Whiteaway Laidlaw	7 %
Duncan Lawrie	¶ 6½%	Williams & Glyn's	6½%
Eagil Trust	6½%	Yorkshire Bank	6½%
English Transcont.	8 %		
First London Secs.	6½%		
First Nat. Fin. Corpn.	9 %		
First Nat. Secs. Ltd.	8 %		
Antony Gibbs	6½%		
Goode Durrant Trust	7½%		
Greyhound Guaranty	6½%		
Grindlays Bank	‡ 6½%		
Guinness Mahon	6½%		
Hambros Bank	6½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 3%, 1-month deposits 3½%.
† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½% and over £25,000 4½%.
‡ Call deposits over £1,000 3%.
§ Demand deposits 4½%.
¶ Rate also applies to Sterling Ind. Secs.
|| 7-day deposits 3½%. Rates for Term Deposits over £1,000 negotiable.

INTERNATIONAL COMPANY NEWS

Ciba-Geigy in U.S. take-over

BY JOHN WICKS — ZURICH, Jan. 15.

THE SWISS CHEMICAL concern Ciba-Geigy AG, of Basle, has announced the take-over of American Spe Corporation, of Florence, Kentucky, by its U.S. subsidiary Ciba-Geigy Corporation. American Spe is engaged in the distribution and application of "aerolite" foam urea formaldehyde resin for cavity-wall insulation, and operates through a nationwide network of distributors and service centres.

Ciba-Geigy is already in the same business and has for some years past been selling such insulation material through its plastics and additives division on the U.K. and certain Continental markets. It sees the outstanding insulating properties of urea formaldehyde as rapidly winning it a leading place among insulation materials.

At the same time, the acquisition is yet another step in Ciba-Geigy's ambitious programme to strengthen its presence in the U.S. Recently, Ciba-Geigy Corporation has announced the take-over of control of the Palo alto, California, pharmaceuticals company, Alza Corporation, and the structural adhesives and prepregs producer, Reliable Manufacturing Company, of Fountain Valley, also in California, while Airwick Industries Inc., the consumer products subsidiary of Ciba-Geigy in the U.S., has acquired Glamorene Products Corporation, a producer of home cleaning specialities.

FTC complaint against Ford

By John Wyles — NEW YORK, Jan. 15.

THE Federal Trade Commission has accused Ford Motor of installing faulty engines in some of its cars and of then failing to inform customers of their right to have the engines repaired at the company's expense.

The FTC complaint is the agency's first major exercise in the area of automobile consumer protection. It estimates that about 55,000 of 2.7m. engines may be faulty. Although it has not announced a repair policy or notified the owners of the suspect vehicles, Ford claims that it has notified dealers of its readiness to meet the costs of repair which might run to $10m. for all the vehicles concerned.

COLT INDUSTRIES

Fourth quarter	$ 1977	$ 1976
Revenue	404.5m.	330.6m.
Net Profits	21.8m.	16.2m.
Net Per Share	2.57	1.90
Year		
Revenue	1,525.5m.	1,345.7m.
Net Profits	69.5m.	66.8m.
Net Per Share	8.10	7.87
Net Share dil	7.30	7.07

HARRIS BANKCORP

Year	$ 1977	$ 1976
Net Profits	29.4m.	31.8m.
Net Per Share	4.49	5.08

WALT DISNEY PRODUCTIONS

First quarter	$ 1977	$ 1976
Revenue	137.1m.	119.5m.
Net Profits	13.3m.	11.8m.
Net Per Share	41 cents	37 cents

MEMOREX CORPORATION

Fourth quarter	$ 1977	$ 1976
Revenue	124m.	100.1m.
Net Profits	9.5m.	7.2m.
Year		
Revenue	450.1m.	344.6m.
Net Profits	34m.	24.8m.
Net Per Share	5.28	4.35

PHILADELPHIA NATIONAL CORPORATION

Fourth quarter	$ 1977	$ 1976
Net Profits	4.26m.	7.94m.
Net Per Share	72 cents	1.43
Year		
Net Profits	24.1m.	28m.
Net Per Share	4.15	4.82

Bradmill advises on bid from Alameda

BRADMILL INDUSTRIES said that it strongly advises shareholders to disregard a proposed takeover offer from Alameda Investments Property Limited, since it has received legal advice that Alameda's notice of intent to make the offer does not comply with the requirements of the Companies Act and is deficient in certain fundamental respects, Reuter reports from Sydney.

Bradmill has informed Alameda accordingly, it said in a notice to shareholders, a copy of which was made available by the Sydney Stock Exchange.

Bradmill said that the Supreme Court of Victoria has made orders restraining Alameda from proceeding with its proposed partial offer pending full consideration of the matter by the Court.

The proceedings, in which Bradmill was not involved, were adjourned until January 26, it added.

Alameda, which represents the interests of Paul Fayman, Solomon Lew and Cleckheaton, holds around 24 per cent. of Bradmill's 42.15m. 50 cent share issued capital, with just over 10m. shares.

It is bidding 82c a share for 30 per cent. of all other shareholdings in Bradmill and is inviting shareholders to offer the balance of their holdings, with the offer being conditional on Alameda achieving a total of 51 per cent. of Bradmill's issued capital. (Bradmill shares closed at 71 on Friday).

The Court injunction on Alameda followed an application from La Mode Management Pty. Ltd., which holds around 5.16m. Bradmill shares, as well as about 20 per cent. of Cleckheaton. Both Bradmill and Cleckheaton are textile firms.

Money and Exchanges

Bank of England Minimum Lending Rate 6½ per cent. (since January 6, 1978)

Conditions were fairly calm in the London money market last week, although day-to-day money remained scarce and the authorities gave some sizeable help to the market. Discount houses had difficulty in finding overnight funds as much below Bank of England Minimum Lending Rate of 6½ per cent., and the interbank overnight rate jumped to around 20 per cent. on Monday afternoon, and to 15 per cent. on Thursday.

When Minimum Lending Rate was cut by ½ per cent. on January 6 there was speculation that a further fall may have occurred last Friday. This was before U.S. banks moved to raise their prime leading rates to 8 per cent., and also before the U.S. Federal Reserve lifted its discount rate from 6 per cent. to 6½ per cent.

Higher U.S. interest rates had an obvious influence on sentiment in London, and there was never any real pressure for another cut in MLR last week, with three-month Treasury bills trading well above the trigger point of 5¾ per cent. throughout.

The authorities must have had some doubts however, possibly increased by a sharp rise in sterling against the dollar on Thursday morning. They therefore took the final opportunity on that day to give a signal on interest rates. The Bank of England lent a moderate amount to the market for seven days to indicate that it wished to see no fall in MLR on the following day.

Although the signal appeared unnecessary, the authorities may have been looking to a wider audience than the discount houses, as on another occasion quite recently. At the same time there was probably no intention to penalize the market, since the Bank of England had been willing to buy bills earlier in the day to relieve part of the day's shortage, and day-to-day credit had been very expensive anyway.

With a general settling down of conditions, for the time being at least, the houses appeared more willing sellers of their paper. Another fall in MLR in the near future is by no means ruled out however, unless there is a dramatic turn of events in this country or on the other side of the Atlantic. The longer term prospects remain very much in doubt, but probably point towards a gradual increase in rates at some time this year.

The uncertainty on interest rates is heavily influenced by the confusion in the foreign exchange market. Currencies have fluctuated through a very wide range against the dollar, and dealing spreads have sometimes been unusually wide. Sterling, which is normally quoted for reporting purposes on a 10 point spread, was quoted with a full 1 cent spread on Thursday afternoon, and closed on a 50 point spread of $1.9200-1.9250. In the morning the pound had been as high as $1.9665-1.9675, following doubts about U.S. determination to defend the dollar, and fears that Saudi Arabia may refuse dollars in payment for oil. Intervention by European central banks, and the U.S. Federal Reserve, helped to push the dollar to higher levels, with most currencies fluctuating just as sharply as the pound.

Hopes of a significant reduction in U.K. inflation this year helped sterling, but most changes during the week were essentially dollar movements, reflecting continued market pressure conflicting with central bank support for the U.S. currency. Dealing spreads remained very wide on Friday, reflecting the frustrated conditions in the market. The pound rose 25 points on balance over the week, to finish at $1.9300-1.9350. Its trade-weighted index rose to 65.8 from 65.3. The dollar's depreciation narrowed slightly to 4.77 per cent. from 4.82 per cent.

Gold touched $172¾-173½ on Tuesday and Thursday, the highest closing level since May 22, 1975. It finished at $172¼-173, a rise of $2¼ on the week.

Jan. 13 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	4-6½	—	—	—	6¾-7	5½-6½	—	—	—
2 days notice	—	—	6⅛-6½	—	—	6⅞	—	—	—	—
7 days or 7 days notice	—	6⅛-6⅜	6⅜-6½	—	6⅝-6⅞	—	6¼-6⅜	—	—	—
One month	6⅛-6⅜	6⅜-6½	6⅜-6½	7¼-6⅜	6⅝-6¾	6¾	6½-6¼	5¾-5⅞	6⅜	6¾
Two months	6⅜-6¼	6¼-6⅞	—	6½-6	6½-6⅝	—	6	5⅞	6⅛	6¾
Three months	6⅛-6	6⅛-6⅞	6⅛-6⅞	6¾-6⅛	6¼-6½	6⅛	5⅞-6	5⅞-5⅞	5⅞-6	6⅜-6¾
Six months	6⅜-6⅞	6⅜-6½	6¼-6⅜	6¼-5⅞	6½-6⅜	—	—	—	6	6¾
Nine months	6⅝-6⅛	6⅜-6⅞	—	7-6½	6¾	—	—	—	—	—
One year	6¾-6⅜	6⅞-7	6¾-7	7-6½	7¼	—	—	—	—	—
Two years	—	—	7⅛-8	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. *Longer-term local authority mortgage rates nominally three years 8½-9 per cent.; four years 9¼-10 per cent.; five years 10¼-10½ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 6 per cent.; four-month trade bills 6½ per cent.

Approximate selling rate for one-month Treasury bills 5⅞-5²³⁄₃₂ per cent.; two-month 5¹¹⁄₁₆-5⅞ per cent.; and three-month 5⅞ per cent. Approximate selling rate for one-month bank bills 6⅛ per cent.; two-month 6¹⁄₁₆ per cent.; and three-month 6⅛-5²⁹⁄₃₂ per cent. One-month trade bill 6⅝ per cent.; two-month 6½ per cent.; and also three-month 6½ per cent.

Finance House Base Rates (published by the Finance Houses Association) 6½ per cent. from January 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 3 per cent. Clearing Bank Rates for lending 6½ per cent. Treasury Bills: Average tender rates of discount 5.8198 per cent.

FOREIGN EXCHANGES

Jan. 13	Bank Rates %	Day's Spread	Close
New York	6½	1.9106-1.9409	1.9300-1.9350
Montreal	7½	2.0875-2.1275	2.1180-2.1240
Amsterdam	4½	4.35-4.40	4.36½-4.38½
Brussels	5½	63.00-65.50	63.50-65.50
Copenhagen	8	11.08-11.16	11.14-11.16
Frankfurt	3	4.05-4.11	4.09-4.11
Lisbon	13	77.00-78.50	77.80-78.50
Madrid	8	154.75-158.00	156.50-156.70
Milan	11½	1,680-1,725	1,715-1,725
Oslo	6	9.94-10.00	9.97½-9.98½
Paris	9½	9.04-9.12	9.07½-9.09½
Stockholm	8	8.97-9.08	9.01½-9.04½
Tokyo	4¼	458-475	465-470
Vienna	5½	29.15-29.45	29.28-29.38
Zurich	1½	3.79-3.85	3.80-3.82

‡ Rates given are for convertible franc. Finance franc 63.35-63.55.

OTHER MARKETS

		Notes	Rates
Argentina	1187.28-48	Argentina	1150-1250
Australia	1.6890-1.7060	Austria	29-33½
Brazil	30.71-30.91	Belgium	62½-64½
Finland	7.71-7.75	Brazil	32-36
Greece	68.569-70.252	Canada	2.11-2.15
Hong K'ng	8.88-8.91	Denmark	11.05-11.52
Iran	150-155	France	8.95-9.15
Kuwait	0.531-0.541	Germany	4.06-4.15
Luxemb'g	63.50-65.50	Greece	70-81
Malaysia	4.56½-4.58½	Italy	1750-1850
N. Zealand	1.8852-1.9042	Japan	455-480
Saudi Arab	6.56-6.88	Netherl'nd	430-445
Singapore	4.49-4.51	Norway	9.90-10.10
S. Africa	1.6562-1.6760	Portugal	63-83
U.S.		Spain	150-155
Canada		Switz'land	378-385
C$1		U.S.	1.92-1.95½
U.S. cents	91.84-91.07	Yugoslavia	372-392

Rate given for Argentina is a free rate.

EXCHANGE CROSS-RATES

Jan. 13	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.1215-35	45.05-18	6.455-470	4.095-105	93.35-55	107.0-30
New York	47.35-45	—	21.22-24	3.0375-0425	1.9290-9350	—	50.80-90
Paris	221.25-75	4.7035-7215	—	14.518-553	9.076-096	207.0-50	237.5-238.0
Brussels	15.44-50	32.87-92	6.97-7.0	—	63.25-45	14.45-52	15.65-64
London	4.09-11	1.930-935	9.07½-09½	63.30-50	—	4.36½-38½	3.80-82
Amst dam	106.91-96	2.2777-2802	48.325-375	6.9105-55	4.3635-85	—	114.82-87
Zurich	92.958-355	1.976-981	41.904-956	6.0024-0249	3.5087-2225	35.819-1919	—

U.S. $ in Toronto U.S. $ = 109.86-89 Canadian cents.
Canadian $ in New York = 91.06-99 cents. U.S. $ in Milan 877.0-880.0.
Sterling in Milan 1694.0-1696.0.

EURO-CURRENCY INTEREST RATES*

Jan. 13	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss franc	W.German mark
Short term	6¼-6¾	6-7	6⅞-7⅛	5¼-5½	¼-½	2¾-2⅞
7 days notice	6½-6¾	6⅜-7⅜	7-7¼	5¼-5½	½-¾	2¾-2⅞
Month	6½-6⅞	6⅜-7	7¾-8	5⅜-5¾	⅝-⅞	2⅝-2⅞
Three months	6⅜-6½	6⅞-7¼	7½-7¾	5⅜-5¾	⅞-1	2¾-2⅞
Six months	6¾-7	7⅛-7⅜	7⅝-7⅞	5⅝-5¾	1⅛-1⅜	2⅝-2⅞
One year	7⅛-7⅜	7⅛-7⅞	7⅞-8⅛	5⅞-6	1⅜-2⅛	3⅛-3¼

Euro-French deposit rates: two-day 8½-8¾ per cent.; seven-day 9½-9¾ per cent. one-month 11½-11¾ per cent.; three-month 12½-12¾ per cent.; six-month 13¼-13¾ per cent.; one year 13½-13¾ per cent.

Long-term Eurodollar deposits: two years 8-8½ per cent.; three years 8¼-8¾ per cent.; four years 8½-8¾ per cent.; five years 8½-8¾ per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 7.15-7.25 per cent.; three-month 7.35-7.45 per cent.; six-month 7.65-7.75 per cent.; one-year 7.85-7.95 per cent.

* Rates are nominal closing rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

GOLD MARKET

	Jan. 13	Jan. 12
Gold Bullion (a fine ounce)		
Close	$172¼-173	$172¾-173½
Opening	$172¾-173½	$174¾-175½
Morning fix'g	$172.40 (£89.675)	$174.20 (£89.565)
Aftern'n fix'g	$172.45 (£89.285)	$175.55 (£89.435)
Gold Coins domestically		
Krugerrand	$178-180 (£92¼-93¼)	$178-180 (£92¾-93¾)
New Sov.gns.	$52½-54½ (£27¼-28¼)	$52½-54½ (£27½-28½)
Old Sov'r'gns	$51-53 (£26-27)	$51-53 (£26½-27½)
Gold Coins (Internat'lly)		
Krugerrand	$178-180 (£92¼-93¼)	$178-180 (£92¾-93¾)
N'w Sov'r'gns	$52½-54½ (£27¼-28¼)	$52-54 (£27-28)
Old Sov'r'gns	$51-53 (£26-27)	$51-53 (£26½-27½)
$20 Eagles	$254½-257½	$254½-257½

FORWARD RATES

	One month	Three month
New York	0.15-0.25 c. dis	0.35-0.45 c.dis
Montreal	0.05-0.15 c. dis	0.25-0.35c. dis
Amst'dam	⅞ c.pm-⅛ c. dis	2-1 c. pm
Brussels	10-20 c. dis	30-40 c. dis
Cop'nhgn.	12½-14½ ore dis	33¾-35¾ ore dis
Frankfurt	1¾-¾ pf. pm	4¾-3¾ pf pm
Lisbon	55-165 c. dis	500-600 c. dis
Madrid	90-160 c. dis	420-520 c. dis
Milan	16-22 lire dis	45-52 lire dis
Oslo	10½-12½ ore dis	30¼-32¼ ore dis
Paris	2¾-3¾ c. dis	13-14 c. dis
Stockh'lm	5-7 ore dis	18¼-20¼ ore dis
Vienna	7-17 gro dis	24-44 gro dis
Zurich	2⅜-1⅜ c. pm	5¾-4¾ c.pm

Six-month forward dollar 0.80-0.90c dis., 12-month 1.05-1.15c dis.

CURRENCY RATES

	Special Drawing Rights January 13	European Unit of Account January 13
Sterling	0.630234	0.632574
U.S. dollar	1.21068	1.22033
Canadian	1.35017	1.35572
Austria sch.	18.5356	18.6506
Belgian franc	39.8556	40.1733
Danish krone	7.00984	7.05851
Deut. mark	2.58095	2.59794
Dutch guilder	2.75914	2.78029
French franc	5.70896	5.75788
Italian lira	1059.95	1070.86
Japanese yen	291.655	295.284
Norway krone	6.27132	6.32402
Spain peseta	97.7225	98.3507
Swedish krone	5.66417	5.70887
Swiss franc	2.40804	2.42125

MINING NOTEBOOK

Why the junior explorer should survive

BY LODESTAR

JUDGING FROM readers' letters this column's coverage of the smaller exploration companies arouses considerable interest. Requests for more are always coming in. This is a healthy sign at a time when the world mining scene is becoming more and more dominated by the multi-national heavy brigade.

So much so that the junior fry find it increasingly difficult to get in on the act. In fact, it is often questioned whether they still have any significant part to play in finding the fresh sources of minerals which will be needed in the decades ahead as those at present being worked become exhausted. Especially as the search for commercially exploitable deposits grows ever more costly and the chances of success necessarily become slimmer.

Fortunately, in countries such as Canada and Australia chances are still rated highly enough by enterprising prospectors for junior exploration concerns to survive even if only a few of them thrive. The case for their existence has been well put, anyway in the down-under context, by the head of one of them, Mr. H. David Kennedy, who is chairman of Western Australia's Spargos Exploration, a well-known survivor from the great nickel boom days.

He says that it has been documented in Canada and is readily evident throughout the world that the genuine junior exploration companies "enjoy a much higher discovery rate per unit of expenditure than do the major mining companies." He cites as evidence of this the finding of Mt. Keith, Windarra, Greenvale, Hall Creek and the Jabiluka uranium deposit, "one of the greatest mineral discoveries of all time."

Mr. Kennedy thus reckons that the most cost effective way of ensuring a high degree of Australian equity in the country's resource development is not to attempt to "buy back the farm," which is prohibitively expensive, and certainly not to establish Government exploration organisations but "rather to encourage Australians to invest in efficient junior exploration companies which explore at the grass roots stages and in turn are advantaged by high leverage in their farm-out relationships."

He is quite frank about the farm-out technique. Funds for exploration and development are in critically short supply in Australia. Such funds can only ultimately come from outside the country or from the Australian populace. He reckons that a farm-in company, one which comes in as a joint venturer to probe likely prospects, effectively pays a very high premium for its interest in a successful project. In fact, it is not unusual for such a concern to be "required to expend more than $500 for each dollar previously expended by the farm-out party."

Thus Spargos itself, which already has Getty Oil as a partner in testing its Teutonic Bore base-metal claims, modestly hopes that some $4 will be expended by others for every $1 of shareholder funds spent on its prospects. Mr. Kennedy admits that exploration will always remain an extremely high-risk business. He also admits that there were abuses during the boom period of the Australian Government policy at that time of allowing tax credits against exploration investment.

But it did result in an unprecedented level of prospecting and development. So he makes a plea for some measure of fiscal incentive to be restored. Surely, he says, "there is someone in Canberra capable of devising a system which provides shareholders with incentives for high-risk investment in all types of exploration but which prevents the abuses permitted by the earlier legislation." After all, it is pointed out, the Government has already announced investment incentives for offshore oil and natural gas exploration.

But even without such a spur to its endeavours the chairman is hopeful about Spargos' prospects "with exciting base-metal hopes backed by Getty Oil, an initial step into Australia's important energy sector and our firm belief that gold's renaissance has arrived, I believe that Spargos can hope for a positive cash flow within the next few years."

The company claims to be the second largest holder of gold leases in Western Australia and hopes that gold will be the "bed-rock earnings base" from which longer-term developments can be nourished. The shares are naturally only for speculative funds as are those of all junior exploration hopefuls but, along with Magnet Metals, Spargos at around 6p in London are probably as good a gamble as any in this field.

Anyone who is interested in particular in the feverish Australian north-west shelf oil and gas search should beg, borrow or steal the latest 37-page emanation on this subject from brokers Laing and Cruickshank. It is an in-depth study of this still exciting situation and includes both Spargos and Magnet in its "high risk-reward" package of shares to give a participation therein.

* * *

Last week when discussing life estimates for the South African gold producers the verdict on the Union Corporation group's Leslie Mine was that it could close this year unless last-minute Government aid was forthcoming. Well, it has been. The company has been classified as a state-assisted mine as from October 1 last. So it has obtained a new, if still precarious, lease of life. The initial financial effects may be revealed in Thursday's December quarter report. The shares at 42p have now acquired a little extra gloss as a gold price speculation.

* * *

Stale bulls of BH South, the shares of which are now lingering around a low of 72p, may be encouraged to know that its sister company in the Collins House group North Broken Hill continues to add to its stake therein. It has now acquired a further 352,815 shares to bring its total holding to 8.9m. or 16 per cent. of the BHS equity.

* * *

Platinum shares remain sluggish despite the better prospects for the metal already noted here. The latest convert to the bullishness for this sector of mining markets is brokers Laurence Prust who have devoted most of their latest weekly circular to this subject under the heading "the neglected metal" with the conclusion that "the better outlook for the industry makes a purchase of Rustenburg at current prices atractive." On Friday they were 71p.

INSURANCE

When layman's language counts in judges' eyes

BY OUR INSURANCE CORRESPONDENT

A LEGAL decision of interest to all employers, whether insuring their staff generally, or only their key employees, against accidental disablement, is Marcel Beller Ltd. versus Hayden.

The judgment is now briefly noted in December's Current Law, but was reported at some length in The Times on December 29, though because of its date of reporting, I expect it escaped the notice of most potentially interested parties.

The plaintiff company had insured, at Lloyd's, the life of its project director, John McCreedie, under a personal accident policy for £15,000. On the evening of Christmas Eve 1975 Mr. McCreedie had been killed when he lost control of the car he was driving.

The post-mortem examination had established that after an evening's drinking, his blood alcohol content was 261 milligrams per 100 millilitres—the equivalent of 17 tots of spirits for a man of his weight.

Underwriters refused to pay for his death and eventually the dispute came before Judge Fay, Q.C., sitting as a High Court Judge in the Queen's Bench Division.

In his reserved judgment, Judge Fay referred to the pathologist's evidence, that a driver with over 150 milligrams of alcohol was almost certainly incapable of dealing with an emergency and a driver with over 200 milligrams would be unlikely to be able to propel a car with any certainty.

On this evidence, the Judge had no doubt that Mr. McCreedie's consumption of alcohol was a cause of his death.

This being so, he had to consider the Defendant Underwriters' contentions. The policy was a personal accident policy and underwriters argued, first, that because the death was a natural and foreseeable result of the deceased's course of conduct during the evening, the death had not that fortuitous element which entitled it to be called an accident.

The Judge rejected this contention, not so much on technical argument but by adopting the layman's approach.

An insurance policy, he said, ought not to depart where possible, from the ordinary meaning of English words: he was convinced that the man in the street would say that Mr. McCreedie had died in an accident.

The next line of defence rested on an express exclusion of the policy—that Mr. McCreedie's death was due to "deliberate exposure to exceptional danger."

Referring to a number of Canadian law cases, the judge decided that there was a clear distinction between the deliberate taking of an appreciated risk and the taking of a risk which was neither deliberately run nor actually appreciated.

He found that there was no evidence that Mr. McCreedie had thought about his condition or the risk he was taking—rather was his driving in his alcoholic condition careless and negligent, but not deliberately so. Therefore, the exclusion did not avail insurers.

A second exclusion on which insurers relied was that of death caused by the insured person's own criminal act.

Insurers argued that Mr. McCreedie had committed five criminal offences while driving his car, principally those of driving while unfit through drink, and driving at a speed or in a manner dangerous to the public.

Here the judge thought insurers were on firmer ground. On the evidence, he was satisfied that Mr. McCreedie had committed these two motoring offences and that there was a causal connection between the offences and the accident.

In his view, these offences were offences of moral culpability, serious offences which must be counted as criminal acts within the wording of the policy. So on this third ground alone, the judge ruled in favour of underwriters and said they would not have to pay.

The interesting aspect of the decision, in my view, lies not so much in the various points that the judge discussed, but on a matter on which the report is silent—in the application of the words "criminal act" to acts which were never the subject of prosecution or conviction, acts which in layman's language were undoubtedly criminal, but which in lawyer's terminology must be counted only allegedly or potentially criminal.

But, perhaps, as the judge said in respect of the word "accident," it is layman's language that must count.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

COMPANY MEETINGS—
Dubilier, Winchester House, E.C., 12.
Osborn (Samuel), Sheffield, 12.30.

BOARD MEETINGS—
Finals:
Braid
Great Northern Inv. Trust
Meggitt Holdings
Spencer Clark Metal Inds.
Interims:
Allied Colloids
Best and May
Cray Electronics
Eastwood (J.B.)
Howard Shuttering
Wellman Engineering

DIVIDEND & INTEREST PAYMENTS—
Aberdeen Trust Db. 1¼pc
Anglo American Secs. Corpn. 4½pcPf. 1.575pc
Broadstone Invest. Tst. 5pcPf. 1.75pc. 5½pcPf. 1.925pc
Brownlee 0.52357p
Carr (John) (Doncaster) 1.23p
Cosalt Loan 5pc
Edinburgh and Dundee Inv. 5pcPf. 1.75pc
Fairdale Textiles Ord. and A 0.3p
General Funds Invest. Trust 5pcPf. 1.75pc. Dbs. 2¼ and 3pc
Hume Holdings 6pcPf. 2.1pc
Industrial and General Tst. Db. 1¾pc (Conv.)
Law Land 5pcPf. 1.75pc
Lees (John J.) 0.55p
Leigh Interests 1.3p
Lennons 0.4226p
London and St. Lawrence Inv. Db 2½pc
M and G Second Dual Trust Income shs. 2.75p
Moorgate Inv. 1.5p
Morgan (J. P.) Comm. 55cts. Do. IDRs to Bearer 55cts.
National and Commercial Bnkg. 1.3829p
Peters Stores 0.7p
Redland 2.094p
Selection Trust 5p
Tricoville 1.12375p

TO-MORROW

COMPANY MEETINGS—
Bass Charrington, Grosvenor House W., 12.
Bridport Gundry, Bridport, Dorset, 11.55.
Leeds and District Dyers, Leeds, 12

BOARD MEETINGS—
Finals:
Bank Leumi (U.K.)
Cowie (T.)
Gestetner
Trident TV
Interims:
Amber Day
Courts (Furnishers)
Property Security Inv. Trust

DIVIDEND & INTEREST PAYMENTS—
Bridport-Gundry 0.6123p
Hinton (Amos) 1.46p (inc. supp. distsn. of 0.0197p o/a yr. ended 5/3/77)
Osborn (Samuel) 2.574p

WEDNESDAY, JANUARY 18

COMPANY MEETINGS—
Hanson Trust, Great Eastern Hotel, E.C., 11.30.

BOARD MEETINGS—
Finals:
Amalil
Countryside Properties
Henlys
Lookers
Scottish American Inv.
United States and General Trust
Interims:
Allied Retailers
Associated Tooling Inds.
Crouch
Group Investors
Heron Motor
Magnet and Southerns
Marston Thompson and Evershed
Stock Conversion

DIVIDEND & INTEREST PAYMENTS—
Aberdeen 13¾pcBds. Red. 18/1/78 £7.0365
British Steam Specialities 1.5p
Bromsgrove 13¾pcBds. Red. 18/1/78 £7.0365
Carrs Milling Inds. 1.75p
Chester 13¾pcBds. Red. 18/1/78 £7.0365
Chichester 13¾pc Bds. Red. 18/1/78 £7.0365
Colmore Invests 1p
Coventry 13¾pcBds. Red. 18/1/78 £7.0365
Crawley 13¾pcBds. Red. 18/1/78 £7.0365
Derwentside 13¾pcBds. Red. 18/1/78 £7.0365
Dunfermline 13¾pcBds. Red. 18/1/78 £7.0365
Fenner (J. H.) 3.95p
Futura 1.05p
High Peak 13¾pcBds. Red. 18/1/78 £7.0365
Harsham 13¾pcBds. Red. 18/1/78 £7.0365
Hove 13¾pcBds. Red. 18/1/78 £7.0365
Killinghall Tin 75p
Leeds and District Dyers 2.025p
Maldon 13¾pcBds. Red. 18/1/78 £7.0365
Metropolitan Police 13¾pcBds. Red. 18/1/78 £7.0365
Milton Keynes 13¾pcBds. Red. 18/1/78
Newport 13¾pcBds. Red. 18/1/78 £7.0365
North Norfolk 13¾pcBds. Red. 18/1/78 £7.0365
North Wiltshire 13¾pcBds. Red. 18/1/78 £7.0365
Northwolds 13¾pcBds. Red. 18/1/78 £7.0365
Norwich 13¾pcBds. Red. 18/1/78 £7.0365
Nottingham 13¾pcBds. Red. £7.0365
Ogwr 13¾pcBds. Red. 18/1/78 £7.0365
Oxford 13¾pcBds. Red. 18/1/78 £7.0365
Rexmore 1.25p
Rhymney Valley 13¾pcBds. Red. 18/1/78 £7.0365
Scarborough 13¾pcBds. Red. 18/1/78 £7.0365
Sefton 13¾pcBds. Red. 18/1/78 £7.0365
Sogomana 1.5p
South Staffordshire 13¾pcBds. Red. 18/1/78 £7.0365
Southend-on-Sea 13¾pcBds. Red. 18/1/78 £7.0365
Stroud 13¾pcBds. Red. 18/1/78 £7.0365
Suffolk 13¾pcBds. Red. 18/1/78 £7.0365
Sutton 13¾pcBds. Red. 18/1/78 £7.0365
Talbex 0.27489p
Tendring 13¾pcBds. Red. 18/1/78 £7.0365
Treasury 9¼pc 1983 £2.70
Tunbridge Wells 13¾pcBds. Red. 18/1/78 £7.0365
Waddington (J.) 5p
Wansbeck 13¾pcBds. Red. 18/1/78 £7.0365
Wellingborough 13¾pcBds. Red. 18/1/78 £7.0365
Wigtown 13¾pcBds. Red. 18/1/78 £7.0365
Wolverhampton 13¾pcBds. Red. 18/1/78 £7.0365
Wychavon 13¾pcBds. Red. 18/1/78 £7.0365

THURSDAY, JANUARY 19

COMPANY MEETINGS—
United Wire, Edinburgh, 12.

BOARD MEETINGS—
Finals:
Abbey Panels
Fluidrive Engineering
Greenfriar Inv.
Lincroft, Kilgour
Mackinnon of Scotland
Warner Estate
Westinghouse Brake and Signal
Whatlings
Interims:
Burt Boulton
Continuous Stationery
Dixons Photographic
Gelfer (A. and J.)
London and Montrose Inv. Trust
New Central Witwatersrand Areas
Newmark (Louis)
Nolton
Peterborough Motors
Provincial Cities Trust
Western Board Mills

DIVIDEND & INTEREST PAYMENTS—
Brady Inds. Ord. and A Ord. 1.75p
Castings 0.42p
Fine Art Developments 0.9p
United Wire 2.89p
Wace Group 0.7p

FRIDAY, JANUARY 20

BOARD MEETINGS—
Finals:
Associated Sprayers
Grand Metropolitan
Lonrho
Raeburn Inv. Trust
Interims:
Hallite

DIVIDEND & INTEREST PAYMENTS—
AGB Research 1.1p
Ashfield 12½pc Bds. Red. 16/7/80 6¼pc
Berkshire 11½pc Bds. Red. 18/7/79 5¾pc
Birmingham Mint 1.5p
Borders 10pc Bds. Red. 26/7/78 5pc
Braemar Trust 0.5p
Buckinghamshire 10pc Bds. Red. 26/7/78 5pc
Calderdale 12½pc Bds. Red. 16/7/80 6¼pc
Carless Capel Leonard 0.3685p
Catalin 0.6492p
Chesterfield 10pc Bds. Red. 26/7/78 5pc
Courage Db. 1¾ 3½ 4pc. Ln. 3½ 5¼pc
Dartford 10pc Bds. Red. 26/7/78 5pc
Dover 13½pc Bds. Red. 14/7/82 6¾pc
Dubilier 0.504p
Dudley 10pc Bds. Red. 26/7/78 5pc
Ealing 12½pc Bds. Red. 16/7/80 6¼pc
Eastbourne 10pc Bds. Red. 26/7/78 5pc
Elys (Wimbledon) Db. 3½pc. Ln. 4½pc
Firestone Tire Rubber 27½cts
Fledgeling Inv. Db., 3½pc
Folkes (J.) Hefo Ord. N.V. Ord. 0.4p
Grand Central Inv. 0.55p
Hart 10pc Bds. Red. 26/7/78 5pc
Havering 10pc Bds. Red. 26/7/78 5pc
Kingswood 10pc Bds. Red. 26/7/78 5pc
Latham (James) 2.72p (inc. supp. dist. of 0.07p o/a yr. ended 31/3/77)
Lister 0.1p
London Midland Indust. 1.9p
Manganese Bronze 1.88364p
Merthyr Tydfil 11½pc Bds. Red. 18/7/79 5¾pc
Muirhead 3.005p
Newcastle upon Tyne 10pc Bds. Red 16/7/80 5pc
Norton (W. E.) 0.34267p
Parkland Textile Ord. and A Ord 1.36125p. Ord. and A Ord. 0.025p
Paxis Whites 1.537 (inc. supp. dist. of 0.037p o/a yr. ended 31/3/77)
Plymouth 10pc Bds. Red. 26/7/78 5pc
Quaker Oats 26cts
Sheffield 10pc Bds. Red. 26/7/78 5pc
600 Group Units 1.8845p (inc. supp. dist. of 0.0345p o/a yr. ended 31/3/77)
South Shropshire 10pc Bds. Red. 26/7/78 5pc
Spelthorpe 10pc Bds. Red. 26/7/78 5pc
Time Products 0.4471p (inc. supp. dist of 0.0171p o/a yr. ended 31/1/77)
Vale Royal 11½pc Bds. Red. 18/7/79 5¾pc
Wakefield 10pc Bds. Red. 26/7/78 5pc
Wells Fargo 28cts
Wheelers Restaurants 1.63p
Whitbread Inv. 1.4775p (inc. supp. dist of 0.0351p o/a yr. ended 31/3/77)
Winchester 10pc Bds. Red. 16/7/80 5pc
Wirral 11½pc Bds. Red. 18/7/79 5¾pc
Wolverhampton 10pc Bds. Red. 26/7/78 5pc

SATURDAY JANUARY 21

DIVIDEND & INTEREST PAYMENTS—
Dewhurst Dent: Ln. 3½pc

SUNDAY JANUARY 22

DIVIDEND & INTEREST PAYMENTS—
Amber Valley 13¾pc Bds. Red. 4/1/78 £7.3647
Bradford 13¾pc Bds. Red. 4/1/78 £7.3647
Burnley 13¾pc Bds. Red. 4/1/78 £7.3647
Bury 13¾pc Bds. Red. 4/1/78 £7.3647
Cannock Chase 13¾pc Bds. Red. 4/1/78 £7.3647
Castle Highland 13¾pc Bds. Red. 4/1/78 £7.3647
Chester 13¾pc Bds. Red. 4/1/78 £7.3647
Chorley 13¾pc Bds. Red. 4/1/78 £7.3647
Corby 13¾pc Bds. Red 4/1/78 £7.3647
Eastleigh 13¾pc Bds. Red. 4/1/78 £7.3647
Treasury Ln. 12¾pc 1992 6⅜pc. 13¼pc 1997 6⅝pc

LEGAL NOTICES

No. 004169 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of SIMON CLARKE PRODUCTIONS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 29th day of December 1977, presented to the said Court by VICTORAMA LIMITED whose registered office is situate at 52, Jermyn Street, London, S.W.1, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 30th day of January 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

AMERY PARKES & CO.,
Imperial House,
15/19, Kingsway,
London WC2B 6UU.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 27th day of January 1978.

No. 003979 of 1977

In the HIGH COURT OF JUSTICE (Chancery Division) Companies Court. In the Matter of PORTLAW CONTRACTORS LIMITED and in the Matter of THE COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN that a Petition for the Winding-Up of the above-named Company by the High Court of Justice was, on the 30th day of November 1977, presented to the said Court by the Commissioners of Customs and Excise of King's Beam House, 39-41, Mark Lane, London, EC3R 7HE, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL, on the 16th day of January 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

G. KRIKORIAN,
King's Beam House,
39-41, Mark Lane,
London, EC3R 7HE.
Solicitor to the Petitioners.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm or his or their Solicitor (if any), and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than 4 o'clock in the afternoon of the 13th day of January 1978.

In the HIGH COURT OF JUSTICE (Chancery Division) Companies Court. In the Matters of No. 0049 of 1978 ALCANNA (HAULAGE) LIMITED No. 0050 of 1978 ARMTIK DE INTERNATIONAL LIMITED and in the Matter of THE COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN that Petitions for the Winding-Up of the above-named Companies by the High Court of Justice were, on the 6th day of January, 1978, presented to the said Court by the Commissioners of Customs and Excise of King's Beam House, 39-41 Mark Lane, London EC3R 7HE.

And that the said Petitions are directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL, on the 6th day of February, 1978, and any creditor or contributory of any of the said Companies desirous to support or oppose the making of an Order on any of the said Petitions may appear at the time of the hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of any of the said Companies requiring such copy on payment of the regulated charge for the same.

G. KRIKORIAN,
King's Beam House,
39-41, Mark Lane,
London, EC3R 7HE.
Solicitor for the Petitioners.

NOTE—Any person who intends to appear on the hearing of any of the said Petitions must serve on, or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their Solicitor (if any), and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than 4 o'clock in the afternoon of the 3rd day of February, 1978.

COMPANY NOTICES

BANQUE FRANCAISE DU COMMERCE EXTERIEUR
Public Company with a capital of F140 000 000
Registered Office: 21, boulevard Haussmann-PARIS (9ème).
Trade Register:
PARIS B 552 067 936
8½% BONDS 1976 DUE 1983
OF $1 000

Numerical list of the series including 3,000 bonds drawn by lot at the second drawing, on January 4, 1978, making up the entire $3,000,000 nominal amount to be redeemed on February 15, 1978:

48.815 to 51.814

Each of these bonds is repayable at $1,000, at the office of the Banque Francaise du Commerce Exterieur and at the offices of the following banks: Banque Nationale de Paris, Paris—Banque Commerciale S.A., Luxembourg—Banque de Paris et des Pays-Bas, Paris — Commerzbank Aktiengesellschaft, Frankfurt-am-Main — Credit Lyonnais, Paris—Credit Suisse, Zurich—Societe de Banque Suisse, Basle—Societe Generale, Paris — Societe Generale de Banque S.A., Brussels—Union de Banques Suisses, Zurich.

All the bonds redeemed previously by drawing are reimbursed.

MARUI CO., LTD.
(KABUSHIKI KAISHA MARUI)

Holders of the 6½ per cent. Convertible Bonds 1991 of the above Company are hereby notified in accordance with the Trust Deed dated 27th May, 1976, constituting the Bonds that the conversion price will be adjusted from Yen 942.70 to Yen 897.80 per share of Yen 50 with effect from 1st February, 1978, as a result of the free share distribution to the holders of record as of 31st January 1978 at the rate of 0.05 new share for one share held.

MARUI CO., LTD.
By: Citibank N.A.,
Paying and Conversion Agent.
16th January, 1978.

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ROTARY SWAGGING MACHINE by Farmer Norton (1972).	P.O.A.	0902 42541/2/3 Telex 336414
SLITTING LINE 500 mm x 3 mm x 3 ton capacity.	P.O.A.	
TWO VARIABLE SPEED FOUR HIGH ROLLING MILLS Ex.6.50" wide razor blade strip production.	P.O.A.	0902 42541/2/3 Telex 336414
MODERN USED ROLLING MILLS, wire rod and tube drawing plant—roll forming machines—slitting—flattening and cut-to-length lines—cold saws—presses—guillotines, etc.	P.O.A.	0902 42541/2/3 Telex 336414
1974 FULLY AUTOMATED COLD SAW by Noble & Lund with batch control.	P.O.A.	0902 42541/2/3 Telex 336414
1970 CUT-TO-LENGTH LINE max. capacity 1000 mm 2 mm x 7 tonne coil fully overhauled and in excellent condition.	P.O.A.	0902 42541/2/3 Telex 336414
1965 TREBLE DRAFT GRAVITY WIRE DRAWING machine by Farmer Norton 27"—29"—31" diameter drawblocks	P.O.A.	0902 42541/2/3 Telex 336414
STRIP FLATTEN AND CUT-TO-LENGTH LINE by A.R.M. Max. capacity 750 mm x 3 mm.	P.O.A.	0902 42541/2/3 Telex 336414
1970 TWO STAND WIRE FLATTENING AND STRIP ROLLING LINE, 8" x 7" rolls x 60 hp per roll stand, variable line speed 0/750ft/min.	P.O.A.	0902 42541/2/3 Telex 336414
2 15 DIE MS4 WIRE DRAWING MACHINES 5,000Ft./Min. with spoolers by Marshall Richards.	P.O.A.	0902 42541/2/3 Telex 336414
50 H.P. VERTICAL WIREDRAWING BLOCK x 650 mm dia.	P.O.A.	0902 42541/2/3 Telex 336414
9 ROLL FLATTENING MACHINE 1,700 mm wide.	P.O.A.	0902 42541/2/3 Telex 336414
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VICKERS 200 TON POWER PRESS. Bed 40" x 36". Stroke 8". Almost new condition.	P.O.A.	01-928 3131 Telex 261771
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TAYLOR & CHALLEN No. 6 DOUBLE ACTION DEEP DRAWING PRESS. Condition as new.	P.O.A.	01-928 3131 Telex 261771
PRESS BRAKE 8' x ¼" by Sedgewick. Air brake, air clutch, light gauge. Capacity 200 tons. Excellent condition.	P.O.A.	01-928 3131 Telex 261771
4,000 TON HYDRAULIC PRESS. Upstroke Between columns 92" x 52" daylight 51", stroke 30".	P.O.A.	01-928 3131 Telex 261771
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MACHINE CENTRE. Capacity 5ft x 4ft. x 3ft. 5 Axles, continuous path. 51 automatic tool changes, 5 tons main table load. Main motor 27 hp. Had less than one year's use and in almost new condition. For sale at one third of new price.	P.O.A.	01-928 3131 Telex 261771
JIG BORER (Lindner) Table 43" x 23", 0-2000 rpm. 24" rotary table. Excellent.	P.O.A.	01-928 3131 Telex 261771
HORIZONTAL BORER 80 mm PEGARD. Table 49" x 33". 24" diafacing head, quartering table 31" x 31". Optics. Excellent.	P.O.A.	01-928 3131 Telex 261771
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HME 70 TONS PRESS DCP3. Bed 36" x 34". stroke 6". excellent.	P.O.A.	01-928 3131 Telex 261771
HERBERT 9B-30 COMB. TURRET LATHE. Capacity 30" dia. x 59", 300-1500 rpm, 4" hollow spindle. Rebuilt.	P.O.A.	01-928 3131 Telex 261771
JIG GRINDER (Hauser) 3SM. Table 21" x 12" max. dia. ground 9", well equipped. Excellent.	P.O.A.	01-928 3131 Telex 261771
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COLD HEADERS BY NATIONAL. ½" and ⅝" DSSD. Excellent.	P.O.A.	01-928 3131 Telex 261771
POLLARD MULTI SPINDLE DRILL Model 20 MX. 10 Spindles, New condition.	P.O.A.	01-928 3131 Telex 261771

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MODERN USED ROLLING MILLS, wire rod and tube drawing plant—roll forming machines—slitting—flattening and cut-to-length lines—cold saws—presses—guillotines, etc.		0902 42541/2/3 Telex 336414

HOME NEWS

Government slammed n consumer survey

ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

GOVERNMENT is given a 1 the face by consumers irvey published yesterday. irvey shows that the two which consumers regard ost important—food and :ity prices—are also those they feel the Government :ling least well.

d with a list of 15 con- issues, 81 per cent. of the ople questioned said that rices were a problem for and 71 per cent. cited city prices.

same people were asked to ne Government's perform- n tackling the problems. overnment came out worst ces with 70 per cent. of eople interviewed saying he Government was not well with either food or electricity prices. A y lower proportion (63 nt.) criticised the Govern- record on prices in l.

survey was commissioned Consumers' Association and carried out by the British Market Research Bureau. It showed a surprisingly high degree of discontent about advertising. Just less than a third of the sample said that misleading advertising was a problem for them, though this was offset by the 46 per cent. who said advertising presented no problem at all.

More pdedictably, the survey disclosed a high level of concern about the quality of shoes, and the cost of gas and children's clothes. The standard of the Health Service was cited as a problem by almost a third of the people interviewed. Product safety was mentioned by 23 per cent.

The Government's performance was rated best on food hygiene and product safety, both issues which featured in the bottom half of the problem league.

Only a quarter of the sample thought the Government was doing well in the field of food prices and only 17 per cent. praised the Government's handling of electricity prices.

Just less than a third said they thought the Government was doing well in the field of prices in general. A fractionally higher proportion said they thought the Government was coping well with the problem of misleading advertising.

The publication of the survey comes when the Government is considering action on the question of the "green pound."

Mr. Peter Goldman, the Consumers' Association's director, stressed the political relevance of the findings by pointing out that it might be an election year.

MPs would do well to remember that food prices were still the shoppers' biggest problem when they considered whether to accept the Minister of Agriculture's proposals for a devaluation of the "green pound."

More aid urged for single homeless

By Our Building Correspondent

THE Government's housing policy was not taking account of the fact that by 1986, a quarter of all households in England and Wales will consist of just one person, CHAR, the Campaign for single homeless people, claimed to-day.

In a report to the Department of the Environment on last year's housing policy review, the organisation says Government plans "fall far short of guaranteeing decent homes for a growing section of the nation's population."

Government figures showed that one-person households increased by 86 per cent. between 1971 and 1976, while the rate of increase for all households was only 19 per cent. By 1986, 5m. people would need self-contained housing on their own.

"We face a massive increase in the number of households wanting to live on their own. There are two main causes—an escalation in the number of single pensioners and divorcees and the growing demand of young people to live away from their families," CHAR said.

There should be a change in local council and housing association allocation policies to give single people a better chance of finding accommodation and urgent action to help single people who were already homeless.

"Ordinary housing should be supplied for the majority of single homeless people. Those who need support and care should be offered a place in sheltered housing, while a small pool of hostel beds should be maintained for those who genuinely need temporary accommodation."

ural Board Wales lets factories

lobin Reeves,

Development Board Rural has let more than half the ies available when it l nine months ago, Mr. Roberts, the Board's nan said.

Board has let 18 factories enau Ffestiniog, Welshpool Newtown, out of 35, Mr. ts said at the North Wales fair.

Roberts said that the t for gifts and souvenirs les was worth £7m. a year, many of the gifts on sale l real interest because they not made by craftsmen.

Move to cut council mortgage rates

THE GOVERNMENT is to be pressed to introduce early legislation enabling local authorities to charge the same interest rate for mortgages as the building societies.

There has been growing criticism that many home-buyers with local authority mortgages have to pay considerably more for their loans than if they had borrowed from a building society. Some Council mortgage interest rates are more than three per cent. higher than the societies' rate.

Mr. Richard Mitchell, Labour MP for Southampton Itchen, is tabling a Commons motion. At present local authorities are not permitted to incur losses in the mortgage finance field, and must charge appropriately.

Mr. Mitchell said: "It is only common sense that those local authorities who want to charge the rate recommended by the Building Societies Association should be able to do so. However, I have been told that legislation is required to do this if a loss is thereby incurred."

Last year's housing policy review underlined the Government's belief that the situation should be changed.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

	Title	Venue
y	Computers & Peripheral Equip. Ex. (cl. Jan. 20)	U.S. Trade Center, W.1
18—19	Contract Flooring Exhibition	Bloomsbury Centre Htl., W.C.1
25—Feb. 1	International Hotel and Catering Exhibition	Olympia
20—Feb. 2	Brightshow '78	Olympia
30—Feb. 2	Photography at Work Exhibition	Harrogate
5—9	International Spring Fair	Nat. Exbn. Centre, B'ham.
14—16	National Office Reprographic Exbn.	Wembley Conf. Centre
14—16	Licensed Hotel Catering Exbn.	Metropole Centre, Brighton
15—16	EIA Engineering Exhibition	Portsmouth
19—23	International Knitwear Fair	Earl's Court
19—23	Int. Men's & Boys' Wear Exbn.	Earl's Court
20—23	Spring Floorcoverings Exhibition	Metropole Centre, Brighton
20—24	Furniture Production Exhibition	Nat. Exbn. Centre, B'ham.

)VERSEAS TRADE FAIRS AND EXHIBITIONS

20—26	Int. Record & Music Publishing Market	Cannes
20—29	International Boat Show	Malmo.
21—29	International Commercial Motor Show	Geneva
27—Feb. 5	International Green Week	Berlin
28—Mar. 6	British Technology Exhibition	Jeddah
4—7	Knitting Industries Exhibition	Paris
4—7	European Men's Wear Show	Paris
6—10	British Trade Fair	Abidjan
7—11	Engineering & Industrial Equipment Exbn.	Dublin
11—15	Int. Confectionery, Chocolate, Biscuit Exbn.	Paris
13—17	Israel Fashion Week	Tel Aviv
13—18	Int. Machine Tool & Foundry Exbn.	Johannesburg
19—21	International Hardware Fair	Cologne

USINESS AND MANAGEMENT CONFERENCES

17	Durham University Business School: Improving Management Communication with the Expectations Approach	Durham
18	Henley Centre for Forecasting: Forecasts for Corporate Plans to 1983	Carlton Tower Hotel, S.W.1
18	London Chamber of Commerce & Industry: Understanding Foreign Exchange	54 Lombard Street, E.C.3
19	European Study Conferences: Dealing with the Price Commission	Churchill Hotel, W.1
19	Keith Shipton Developments: Profit from Health and Safety	Manchester
19	London Chamber of Commerce & Industry: The Anatomy of Product Liability Insurance	54, Lombard Street, E.C.3
23—27	Brunel University: Production Management and Human Behaviour	Uxbridge
26—27	AMR International: Creative Problem Solving	Churchill Hotel, W.1
30—Feb. 3	P-E Consulting Group: Production Management	Egham, Surrey.
31	British Council of Productivity Associations: Unfair Dismissal	Metropole Hotel, W.2
1	Department of Industry: Bulk Materials Handling	Runcorn, Cheshire
2	Berndtson Int./ORC (U.K.): Management—Pay—Productivity	Cavendish Centre, W.1
2	Chart Analysis: Investing in Commodities	Int. Press Centre, E.C.4
6	Business Perspectives: China and Britain—The Prospect for Trade	Royal Lancaster Hotel, W.2
6—10	Urwick: Management in Research & Development	Slough
7—9	Executant: Producer Risk Appraisal	Russell Hotel, W.C.1
8—10	London Chamber of Commerce and Industry: Social Service and Infrastructural Developments in Oil Rich States	Farnham Castle
13—17	Abraxas: Synectics—Innovative Skills	68, Churchway, N.W.1
14	Society for Long Range Planning: Self-Denial To-day for Prosperity To-morrow—Crisis of Choice	15, Belgrave Sq., S.W.1
15—16	Oyez IBC: International Tendering	Inter-Continental Hotel, W.1
16	Building Materials Export Group: Expanding Export Markets for the U.K. Construction Industry	Cavendish Centre, W.1

who?

This week in Parliament

TO-DAY

MONS—Civil Aviation Bill ond reading). Shipbuilding lundancy Payments) Bill ond reading).

ECT COMMITTEE—Expendi- , Education, Arts and Home e sub-committee. Subject: ninistration of the Prison ice. Witnesses: Conference hief Probation Officers. (Room 4.30 p.m.)

TO-MORROW

IMONS—Scotland Bill, Com- ee Stage.

DS—Refuse (disposal) Bill ond Reading). Local Govern- t (Scotland) Bill (Third ding). Theft Bill (Second ding). State Immunity Bill ond Reading).

ECT COMMITTEE—Expendi- , Defence and External Affairs committee. Subject: CPRS nk Tank). Review of over- representation. Witness: Sir Kenneth Berrill, CPRS. (Room 16, 3.30 p.m.)

WEDNESDAY

COMMONS—Scotland Bill (committee stage). Motion on EEC documents on jurisdiction and judgments convention.

LORDS—Debate on the Wolfenden report on the future of voluntary organisations.

SELECT COMMITTEES—Sciences and Technology, General Purposes sub-committee. Subject: Efficiency and durability of filament and discharge lamps. Witnesses: British Standards Institute and Department of Energy. (Room 15, 10.30 a.m.) Expenditure, Defence and External Affairs, sub-committee. Subject: CPRS (Think Tank). Review of Overseas Representation. Witnesses: Lord Home of the Hirsel; Lord George-Brown; Mr. Douglas Hurd, MP. (Room 16, 10.30 a.m.) Nationalised Industries, sub-committee C. Subject: Bank of England report and accounts. Witnesses: Bank of England. (Room 8, 4 p.m.) Expenditure, Social Services and Employment sub-committee. Subject: Employment and Training. Witnesses: The Treasury; Manpower Services Commission; Department of the Environment (Room 15, 4.30 p.m.)

THURSDAY

COMMONS — Transport Bill (Second Reading). Participation Agreements Bill, remaining stages.

LORDS — Judicature (Northern Ireland) Bill (Second Reading). Education (Northern Ireland) Bill, committee stage.

SELECT COMMITTEE — Defence and External Affairs sub-committee. Subject: CPRS (Think Tank) Review of Overseas Representation. Witness: Sir Kenneth Berrill, CPRS. (Room 16, 3 p.m.)

FRIDAY

COMMONS — Private Members' Bills.

VW Derby goes back to tradition

By Our Motoring Correspondent

THE VOLKSWAGEN Derby, the small saloon car based on the Polo hatchback, is to go on sale in Britain this month at £2,850.

The Derby, launched in Germany almost a year ago, illustrates the shift of thinking among European car-designers about merits of the conventional "three-box" vehicle.

Volkswagen's recovery after the decline of the Beetle model has been based on hatchback five-door principles of design popularised by Renault. But with the Derby, which adds a boot and 14 inches to the hatchback Polo model, it recognises the strong demand for the traditional design.

General Motors has acted similarly with its Kadett-Chevette range, also obtainable in both forms.

VW claims to have shown in market research that 40 per cent. of motorists in West Germany prefer a conventionally-shaped vehicle.

In Britain VW will sell only one version of the Derby, the Derby LS. It will have the 1.1 litre overhead camshaft engine and similar trim and equipment to the top-of-the-range Polo LS. The boot is relatively large, 18.2 cubic ft. The model is 12ft. 8in. long.

Airlines oppose moving base from Heathrow

Financial Times Reporter

THREE airlines, Iberia, TAP (Portuguese Airlines) and Air Canada have rejected requests to move their London operations from Heathrow to Gatwick.

Heathrow's monthly newspaper Skyport reports that the airlines were all asked to make the move in anticipation of massive overcrowding at Heathrow. Their rejection of the proposal could lead to intervention by the Civil Aviation Authority and discussions with the governments involved.

Air Canada is reported as saying that it would lose business to competitors if it moved. The same reason was given by the other airlines.

Norfolk Broads national park scheme backed

By Anthony Moreton

RELUCTANT SUPPORT for the establishment of a national park to cover the Norfolk Broads was given by the Nature Conservancy Council.

It has told the Countryside Commission, which advises the Government on national parks, that a national park for the Broads, although not ideal, would in certain circumstances help to alleviate some of the ecological and administrative difficulties now being faced by the area.

The Nature Conservancy believes that there are a number of drawbacks in the present system of running the Broads and that the best solution would be for a special authority to be established.

OVERSEAS MARKETS

EUROBONDS

BY MARY CAMPBELL

Eurofima pricing ignores the investor

THE PRICES of Eurodollar bonds were slashed heavily last week in active trading conditions. Although dealers reported some nosing around the market by investors, few enquiries resulted in purchases. Most of the dealing was between professionals but even after falls of at least a point, and considerably more in some cases, there was no sign of buying interest developing.

On Friday, despite the large increase in U.S. money supply reported over Thursday night, prices recovered slightly. Dealers attributed this to short covering, however, rather than any fundamental firming tendancy.

The basis for last week's falls in bond prices was laid the previous week. The fact that the dollar's recovery against the D-mark and Swiss franc following the Fed's announcement of swap agreements was only momentary was one factor: the dollar slid from a best level of Sw.Frs.2.08 and DM.2.1560 on January 5, the day after the swap agreement was announced, to lows of Sw.Frs.1.92 and DM.2.08 last Thursday. It has recovered slightly since then with the help of Central Bank intervention and ended the week at Sw.Frs.1.9737½ and DM.2.1215.

Most of the talk in the London market on Thursday and Friday focused on the primary market. This arose from the pricing of the Eurofima issue—unchanged from the indications made when the issue was launched before the New Year.

Even the managers admitted that the issue had been mispriced: the justification given for the pricing was the peculiar circumstances of the borrower, which meant that the issue either had to be withdrawn or issued on the indicated terms, combined with the argument that the market knew that the terms were fixed from the start and underwriters should have turned down their underwriting if they had not wanted to be landed with the bonds.

That the pricing was completely wrong was borne out by secondary market quotations on Friday which ranged as low as 96 bid.

If Eurofima had been priced in isolation then it might have created no more than a momentary blaze of fury in the market. However, due for pricing the day after Eurofima was the European Investment Bank's two-tranche $200m. issue, of which one tranche was indicating identical terms to the Eurofima issue. The pricing of the Eurofima offering set a standard for the European Investment Bank and, although the EIB issues were in fact priced more generously than the Eurofima offering, they were not priced to yield as much as secondary market quotations for comparable bonds suggest that they should have been.

A further development on Friday night is likely to concentrate even more attention on the implications of the Eurofima and EIB mispricings: this was the launching of an issue for the European Coal and Steel Community (ECSC) on terms which look perfectly fair when compared with the terms at which the Eurofima and EIB were priced, but which are again totally out of line with the yields on comparable bonds as quoted in the secondary market.

Although the managers say that they have flexibility in the pricing of the ECSC issue, there is at this stage no indication of a discount. If it were to be priced at par it would yield 8¾ to investors who paid the full price and 8.62 to selling group members. If it were to be priced at 98, it would yield 8.77 on the issue price and 9.02 to selling group members.

By comparison with these prices investors could on Friday have bought the ECSC 9¼ per cent. issue of 1986 in size, dealers said, at 101¾ to yield 8.93 per cent. They could have got a lower price on smaller purchases.

The events of the past week are probably one of the most blatant examples of the extent to which issue managers feel they can ignore the investor in the history of this market. Conditions such as the present, when investors are not keen to take on any dollar paper at all and when they do not sell paper they already hold should mean that the yields on primary market offerings are higher than those obtainable in the secondary market.

However, the investor is in general too far from the secondary market to be aware of how much he is losing and too careless of the finer yield differentials to notice the extent to which he could get better yields by buying in the after-market. In the EIB issues at least he will almost certainly be able to buy in size in the after-market when trading opens to-day. Dealers said on Friday that they would have no trouble putting together $1m. at 97½ which suggests that many would be eager to get out at a considerably larger scale at 98, the limit of the selling group discount.

The trouble is that the whole emphasis of the Eurobond market is on currying favour with borrowers. Whether individually true or false, the kind of stories which did the rounds on Thursday and Friday about the pricing decisions on Eurofina and the EIB illustrate this. Thus, according to one source there were among the managers of the EIB issue banks which told the EIB that the correct price for its issues was par (the managers concerned apparently were among those with smaller commitments).

Again, it seems that Eurofina offered to withdraw its issue altogether in the light of the difficult market conditions and also suggested that those managers who did not like it should leave the group: the offer to withdraw the issue was turned down despite the fact that some managers thought it should have been taken up but no managers withdrew.

Because of overriding need for lead managers to maintain their reputation with borrowers for getting issues through and the overriding need for underwriters to maintain their reputation with lead managers, it seems unlikely that the huffing and puffing and brouhaha last week will lead to any improvement in the market's treatment of investors. One dealer stated firmly on Friday that he was "absolutely disgusted" by the Eurofina issue: "I'm not going to trade it and I'm not trading any other Smith Barney issues either," he said. He would not have said the same for one of the top lead managers.

As a major lead manager said on Friday: borrowers' attitude is "who cares about the after-market."

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager
U.S. DOLLARS						
‡Eurofima	40	1988	8.7	8½	100	Smith Barney, CSWW
‡EIB	100	1988	9.52	8½	99½	UBS (Securities)
‡EIB	100	1993	12.46	8¾	99½	UBS (Securities)
Occidental	50	1983	Bullet	8½	*	Dean Witter Rey. Intl.
**Daiichi Chuo (g'teed Sumitomo Bank)	20	1985	¶	8½	*	Sumitomo Fin. Intl.
††Norway	125	1983	Bullet	8½	99¾	Salomon
††ICI	150	2003	18.7	*	*	Smith Barney
††Euratom	75	1998	13	*	*	First Boston Corp.
ECSC	30	1985	Bullet	8¾	*	KIC, Hill Samuel
D-MARKS						
‡Norway	200	1983	Bullet	4¾	100	Deutsche
‡BFCE	150	1988	9	5½	99½	Dresdner
Brazil	150	1985	Bullet	6½	*	Deutsche
‡**ESCOM	20	1981	na	8	99½	na
Denmark	100	1984	Bullet	5½	99	WestLB
Denmark	100	1988	Bullet	6	*	WestLB
World Bank	500	1990	10½	5¾	99	Deutsche
YEN						
Denmark	20bn.	1990	9.9	6.7	99.70	Nikko
Manitoba	15bn.	1990	9.9	6.7	99.90	Nikko
KUWAITI DINARS						
Panama	5	1983/8	—	9	*	KFTCIC, UBAF
UNITS OF ACCOUNT						
Kommunlaneinstitutet	12	1993	8	7¾	*	Kredietbank Lux., SK.Ensk.

* Not yet priced. ‡ Final terms. ** Placement. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. Note: Yields are calculated on AIBD basis.

Indices

NEW YORK —DOW JONES

	Jan. 13	Jan. 12	Jan. 11	Jan. 10	Jan. 9	Jan. 6	1977-78 High	1977-78 Low	Since compilation High	Since compilation Low
Industrial	775.78	778.15	775.80	781.53	784.56	785.46	999.75 (3/1/77)	775.75 (13/1/78)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	89.69	89.70	89.89	90.16	90.15	90.52	93.87 (7/9)	89.69 (13/1/78)	—	—
Transport	203.17	207.84	205.89	206.74	208.81	210.17	246.64 (18/6)	199.90 (25/10)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	105.85	106.48	106.90	107.84	107.80	109.24	118.67 (22/2)	104.97 (25/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's †	18,010	23,750	22,390	25,180	27,990	26,150	—	—	—	—

* Basis of index changed from August 24.

Ind. div. yield %	Jan. 6	Dec. 30	Dec. 23	Year ago (approx.)
	5.90	5.53	5.54	4.16

STANDARD AND POORS

	Jan. 13	Jan. 12	Jan. 11	Jan. 10	Jan. 9	Jan. 6	1977-78 High	1977-78 Low	Since Compilat'n High	Since Compilat'n Low
‡ Industrials	98.74	99.89	99.75	99.27	99.86	100.89	118.92 (3/1/77)	98.74 (13/1/78)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	89.88	89.82	89.74	90.77	90.88	91.62	107.00 (3/1/77)	89.88 (13/1/78)	125.85 (11/1/73)	4.40 (1/6/32)

	Jan. 11	Jan. 4	Dec. 28	Year ago (approx.)
Ind. div. yield %	5.18	4.96	4.90	3.77
Ind. P/E Ratio	8.66	9.01	9.13	11.21
Long Govt. Bond yield	8.19	8.04	8.02	6.81

N.Y.S.E. ALL COMMON

Jan. 13	Jan. 12	Jan. 11	Jan. 10	1977-78 High	1977-78 Low
48.37	48.88	48.52	48.77	57.07 (4/1/77)	48.52 (11/1/78)

Rises and Falls

	Jan. 11	Jan. 12	Jan. 11
Issues traded	1,838	1,834	1,858
Rises	747	745	542
Falls	605	594	862
Unchanged	486	495	454
New Highs	—	15	5
New Lows	—	86	106

		Jan. 13	Jan. 12	Jan. 11	Jan. 10	1977-78 High	1977-78 Low
MONTREAL	Industrial	166.59	167.08	167.16	168.16	186.47 (17/3)	158.92 (25/10)
	Combined	175.50	175.41	175.56	174.86	187.96 (19/1/77)	165.60 (25/10)
TORONTO	Composite	1006.8	1005.2	1009.2	1012.8	1067.4 (19/7)	961.6 (26/10)
JOHANNESBURG	Gold	209.8	211.4	208.8	210.5	214.7 (17/10)	158.4 (24/6)
	Industrials	211.8	211.8	212.0	213.1	214.4 (4/1/78)	169.1 (22/4)

	Jan. 13	Previous	1977-78 High	1977-78 Low
Australia (¶)	463.75	461.66	479.43 (3/1/78)	418.85 (16/2)
Belgium (‖)	—	90.43	99.12 (10/1/77)	90.43 (12/1)
Denmark(**)	96.66	96.96	107.92 (9/6)	95.54 (23/11)
France (††)	59.5	51.3	58.4 (7/1/77)	43.5 (10/6)
Germany(‡‡)	800.4	798.3	815.5 (17/11)	712.5 (10/3)
Holland (§§)	80.3	80.3	93.2 (4/6)	76.8 (29/9)
Hong Kong (¶¶)	383.44	384.41	485.17 (11/6)	383.44 (13/1)
Italy (‖‖)	56.54	56.75	73.71 (5/1/77)	54.90 (22/12)
Japan (a)	374.80	372.38	390.93 (29/9)	350.49 (24/11)
Singapore (b)	—	263.55	268.02 (29/6)	242.2 (3/6)

	Jan. 13	Previous	1977-78 High	1977-78 Low
Spain (d)	97.01	96.98	100.00 (31/12)	96.98 (12/1)
Sweden (e)	343.24	339.63	416.68 (22/3)	226.68 (24/11)
Switzerl'd (f)	298.2	296.2	318.8 (14/10)	280.5 (3/3)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord. (‖) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam Industrial 1970. (¶¶) Hang Seng Bank 31/7/64. (‖‖) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Closed. (d) Madrid SE 31/12/77. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. 31/12/58. (u) Unavailable.

OVERSEAS SHARE INFORMATION

NEW YORK

CANADA

GERMANY ♦

JOHANNESBURG

MINES / INDUSTRIALS

Securities Rand Discount 33¼%

AUSTRALIA

PARIS

VIENNA

AMSTERDAM

TOKYO ¶

Source Nikko Securities Tokyo

BRAZIL

OSLO

SPAIN ♥

January 13	Per cent.	
Olarra	88	— 3
Papeleras Reunidas	64	—
Petroliber	141	—
Petroleos	190	+ 4
Sarrio Papalera	75	+ 1
Sniace	36	—
Sogefisa	135	— 7
Telefonica	85.75	+ 0.75
Torras Hostench	114	—
Tubacex	101	—
Union Elec.	67	+ 0.75

COPENHAGEN ♣

SWITZERLAND ♦

STOCKHOLM

MILAN

BRUSSELS/LUXEMBOURG

Investment premium based on $2.60 per £—68% (66½%).

* Assented. † Bid. ‡ Asked. § Traded. ‖ New stock.

Photo cube curbs

The U.S. International Trade Commission (ITC) has issued an order requiring Customs officials to require 100 per cent. bonds on imports of certain plastic photo cubes from Hong Kong and other suppliers abroad, AP-DJ reports from Washington. The decision, calling for the exclusion of such imports that infringe a U.S. patent, can either be approved or be vetoed by President Carter within 60 days. Charles D. Burns has complained to the ITC that manufacturers abroad and certain U.S. importers were infringing its patent for the photo cubes.

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax.

♦ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. ♦ Frs.500 denom. unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs. including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. ‡ Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. ▲ Interim since increased.

هكذا من الأصل

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

...dex Limited 01-351 3466. Three months lead 361.7-365...
...mont Road, London SW10 0HS.

CLIVE INVESTMENTS LIMITED
...oyal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101
...x Guide as at 11th January, 1978 (Base 100 at 14.1.77.)
Clive Fixed Interest Capital 134.97
Clive Fixed Interest Income 127.53

CORAL INDEX: Close 479-484

INSURANCE BASE RATES

† Property Growth 8¾%
Cannon Assurance 4¾%
* Address shown under Insurance and Property Bond Table.

FINANCIAL TIMES STOCK INDICES

—	Jan. 13	Jan. 12	Jan. 11	Jan. 10	Jan. 9	Jan. 6	A year ago
...nment Secs.	77.55	77.25	77.27	77.29	77.89	77.88	63.16
... Interest	80.80	80.80	80.68	80.95	81.27	81.25	64.28
...trial Ordinary	480.9	479.4	487.2	484.5	491.7	497.3	363.9
... Mines	139.1	142.4	139.5	139.5	136.9	136.6	112.1
... Div. Yield	5.60	5.60	5.52	5.55	5.47	5.41	6.18
...ngs Y'ld%(full)(*)	17.03	17.05	16.76	16.82	16.62	16.46	19.13
...atio (net) (*†)	8.32	8.32	8.45	8.43	8.53	8.62	7.65
...ings marked	5,034	5,266	5,978	7,130	6,866	6,425	6,399
...y turnover £m	—	76.03	69.23	98.23	66.19	87.25	60.08
...y bargains total	—	14,057	14,399	16,641	17,916	18,131	14,485

10 a.m. 481.9. 11 a.m. 480.5. Noon 479.6. 1 p.m. 479.7.
2 p.m. 479.8. 3 p.m. 478.9.
Latest Index 01-246 8026.
* Based on 52 per cent. corporation tax. † Nil=8.26.
...asis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold ... 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS — S.E. ACTIVITY

—	1977/78 High	1977/78 Low	Since Compilation High	Since Compilation Low		Jan. 13	Jan. 12
...Secs.	79.86 (30/9)	60.46 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)	—Daily Gilt-Edged	158.9	175.1
					Industries	175.0	182.0
...Int.	81.27 (9/1/78)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)	Speculative	38.3	35.0
					Totals	114.6	119.9
...Ord.	549.2 (14/9)	357.6 (12/1)	549.2 (14/9/77)	49.4 (26/6/40)	5-day Av'rage Gilt-Edged	199.3	205.6
					Industrials	212.1	221.6
...Mines	174.6 (18/10)	95.1 (1/2)	442.3 (22/6/75)	43.5 (26/10/71)	Speculative	43.4	45.0
					Totals	137.8	144.2

FINANCIAL TIMES STOCK INDICES

—	Jan. 13	Jan. 12	Jan. 11	Jan. 10	Jan. 9	Jan. 6	A Year ago
...trial Group	206.04	206.94	208.67	206.05	211.34	212.52	143.56
...ares	227.24	228.05	229.88	229.52	232.93	234.32	166.56
...Yield pc	5.40	5.38	5.34	5.35	5.27	5.24	6.33
...atio (net)	8.63	8.66	8.74	8.72	8.86	8.92	8.75
...ares	211.65	212.27	215.80	213.43	216.71	217.99	155.69

...G KONG

SINGAPORE

NOTES

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
15S	15M	Treasury 9pc 1978‡‡	100½	9.8	8.96	5.93
14J	14Ju	Treasury 10½pc '78‡‡	102⅝	8.12	10.23	5.99
28M	28S	Exch. 5pc '76-78‡‡	99½	22.8	5.03	5.72
9S	9M	Treasury 11½pc '78‡‡	105	3.8	10.95	6.89
17M	17S	Treasury 3pc '78‡‡	95⅝	11.8	3.14	5.78
28M	28S	Electric 4¼pc '74-79	96⅝	22.8	4.40	6.37
1M	1N	Treasury 10½pc '79‡‡	104½	26.9	10.05	7.74
15M	15N	Electric 3½pc '76-79	95¾	10.10	3.65	5.90
3S	3M	Treasury 9pc 1980‡‡	102½	28.7	8.78	7.71
14N	14M	Treasury 9½pc '80‡‡	102¾	10.10	9.25	8.20
15D	15J	Treasury 3½pc '77-80	94¾	8.11	3.69	5.87
15D	15J	Funding 5¼pc '78-80‡‡	95⅞	8.11	5.48	7.14
25M	25N	Exchequer 13pc 1980‡‡	109⅜	19.10	11.87	9.11
15J	15Ja	Treasury 11½pc 1981‡‡	105⅛	9.12	10.55	9.21
15A	15F	Treasury 3½pc 1979-81	91⁵⁄₁₆xd	11.7	3.82	6.55
1O	1A	Treasury 9¾pc 1981‡‡	101¼	25.8	9.63	9.28
12D	12J	Exch. 8¼pc 1981	96⅞	—	8.52	9.34
4F	4A	Exch. 9½pc 1981	100⅝xd	29.12	9.43	9.26
21F	21A	Exch. 3pc 1981	87⅞	—	3.42	6.89
17M	17N	Treas. Variable '81‡‡	96½	11.10	6.61	7.44
23M	23N	Exch. 12¾pc 1981‡‡	110½	17.10	11.54	9.42
15J	15Ja	Treas. 8½pc '80-82‡‡	98⅝xd	9.12	8.61	8.88
15A	15F	Treasury 3pc '82‡‡	85⅞xd	11.7	3.49	7.05
16S	16M	Treasury 14pc '82‡‡	114¾	10.8	12.20	9.61
—		Treas. Variable '82‡‡	95	3.11	6.65	7.46
5J	5Ju	Treasury 8¼pc '82	96	1.12	8.59	9.37
22M	22S	Exch. 9¼pc 1982	99¼	16.8	9.32	9.44
Five to Fifteen Years						
21A	21F	Exch. 3pc '83	83½	—	3.64	7.20
17S	17M	Treasury 12pc 1983‡‡	114⅝	11.8	10.90	9.47
18J	18Ju	Treasury 9¼pc '83	98⅝xd	12.12	9.37	9.53
15J	15Jn	Funding 5½pc '82-84‡‡	88½	9.12	6.22	7.95
10J	10Ju	Treasury 8¼pc '84-86‡‡	95¾	5.12	8.89	9.25
1N	1M	Funding 6½pc '85-87‡‡	85½	26.9	7.63	8.88
26J	26Ja	Treasury 7¾pc '85-88‡‡	88⅝xd	20.12	8.75	9.55
1J	1Ju	Transport 3pc '78-88	67½xd	25.11	4.45	7.58
15A	15O	Treasury 5pc '86-89	74¼	2.9	6.65	8.72
15J	15Ja	Treasury 13pc 1990‡‡	113⅞	9.12	11.42	10.91
15D	15J	Treasury 8¼pc '87-90‡‡	88½	8.11	9.40	9.99
10J	10Ja	Treasury 11¾pc 1991	105⅛	5.12	11.20	11.02
5O	5A	Funding 5¾pc '87-91‡‡	74¼	1.9	7.92	9.41
22J	22Ja	Treasury 12¾pc '92‡‡	110⅞xd	16.12	11.48	11.17
21A	21F	Treasury 10pc 1992	95	—	10.71	10.93
25F	25A	Exch. 12¼pc '92	111⅞	19.7	11.46	11.25
Over Fifteen Years						
14J	14Ju	Treasury 12½pc '93‡‡	109⅜	8.12	11.44	11.23
15M	15S	Funding 6pc 1993‡‡	71½	9.8	8.64	9.86
23M	23N	Treasury 13¾pc 1993‡‡	118⅞	17.10	11.77	11.42
1S	1M	Treasury 14½pc '94‡‡	127½	26.7	11.88	11.47
22F	22A	Exch. 12½pc 1994	112⅞	—	11.54	11.37
17M	17N	Treasury 9pc '94‡‡	86⅞	11.10	10.30	10.62
25Ju	25Ja	Treasury 12pc '95	105⅝xd	19.12	11.36	11.25
1N	1M	Gas 3pc '90-95	51⅞	26.9	5.91	8.48
21Ja	21J	Exch. 10¼pc '95 (£30pd)	30	—	10.79	10.90
15M	15N	Treasury 12¾pc '95‡‡	112¼	10.10	11.53	11.35
15S	15M	Treasury 9pc '92-96‡‡	89⅞	9.8	10.42	10.72
3N	3M	Treasury 15¼pc '96‡‡	130⅛	27.9	12.01	11.67
15N	15M	Exchequer 13¼pc '96‡‡	116¼	10.10	11.62	11.41
1A	1O	Redemption 3pc 1986-96	49½	25.8	6.17	8.55
22J	22Ja	Treasury 13¼pc '97‡‡	113⅞xd	16.12	11.61	11.42
21A	21F	Exchequer 10½pc 1997	97	—	11.82	11.10
1M	1S	Treasury 8¾pc 1997‡‡	87⅛	26.7	10.44	10.73
1F	1A	Treasury 6¾pc '95-98‡‡	71⅛	26.9	9.63	10.35
30M	30S	Treas. 15½pc '98‡‡	134	24.8	11.98	11.62
15J	15Ja	Treasury 9½pc 1999‡‡	89½	9.12	10.62	10.77
19N	19M	Treas. 10½pc '99 (£55pd)	55⅝	—	11.03	11.06
14J	14Ju	Funding 3½pc '99-04	42	5.12	8.24	9.56
5A	5O	Treasury 8pc '02-06‡‡	79¾	1.9	10.32	10.49
10M	10S	Treasury 5½pc '08-12‡‡	57¼	4.9	9.96	10.21
26J	26Ja	Treasury 7¾pc '12-15‡‡	75⅞xd	20.12	10.27	10.36
Undated						
1F	1A	Consols 4pc	36⅝xd	28.12	10.87	—
1J	1D	War Loan 3½pc‡‡	36⅝	25.10	9.67	—
1A	1O	Conv. 3½pc '61 Aft.	58¾	25.8	9.28	—
5A	5O	Treasury 3pc '66 Aft.	28⅛	1.9	11.60	—
5Ja.A.Ju.O.		Consols 2½pc	23⅝	1.12	10.62	—
1A	1O	Treasury 2½pc	23½	25.8	10.98	—

**INTERNATIONAL BANK

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
15F	15A	5pc Stock '77-82	87¾xd	8.7	5.70	8.26

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

AMERICANS—Continued

S.E. List Premium 24½% (based on $US1.9240 per £)

Conversion factor 0.6931 (0.6921)

CANADIANS

S.E. List Premium 24½% (based on $2.1130 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Cont.

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Nov. May	Falcon Rh.50c	190	19.9	Q50c	ϕ	24.5
May	Rhod'n Corp. 16½p.	22	28.3	0.57	4.3	3.9
—	Roan Cons. K4	52	1274	—	—	—
Dec. July	Tanganyika 50p	135	17.10	Q11.0	1.1	8.2
Jan. July	Do. Pref. 80p	78	12.12	Q9%	16.4	9.2
Nov. May	Wankie Col. Rh.1	40	17.10	Q7½c	1.4	16.0
—	Zam.Cpr.SBD0.24	11½	1174	—	—	—

AUSTRALIAN

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	Acmex 25c	10	—	—	—	—
Nov. Apr.	Bougainville 50Toea	69	15.3	Q10c	1.5	9.2
—	BH South 50c	72	974	—	—	—
Oct. May	Conzinc Riotinto 50c	162	—	Q9c	2.3	3.4
—	G.M. Kalgoorlie $1	54	667	—	—	—
September	Hamptn Areas 5p	62	25.7	1.45	4.1	2.7
—	Metals Ex. 50c	15	—	—	—	—
Dec. June	MIM Hldgs. 50c	129	3.10	Q9c	1.7	4.3
—	Mount Lyell 25c	15	—	—	—	—
—	Newmetal 10c	2	—	—	—	—
June Nov	North B. Hill 50c	81	31.10	Q8c	1.5	6.1
—	Nth. Kalgurli	8½	—	—	—	—
June Nov.	Oakbridge $A1	120	26.4	Q11c	1.9	5.8
—	Pacific Copper	34	—	—	—	—
—	Pancont'l 25c	675	—	—	—	—
—	Paringa M&Ex.5p	12½	—	—	—	—
Apr. Oct.	Peko-Wallsend 50c	385	28.3	Q15c	4.0	2.4
—	Poseidon 50c	75#	—	—	—	—
—	Vultan Min. 50c	11	—	—	—	—
Oct. May	Westn. Mining 50c	88	19.9	Q6c	1.4	4.2
—	Whim Creek 20c	45	—	—	—	—

TINS

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Nov. Apr.	Amal. Nigeria	38	17.10	2.51	1.6	12.7
Apr. Oct.	Ayer Hitam SM1	248	5.9	Q416.7c	0.9	43.1
Apr. Oct.	Beralt Tin	46	8.8	3.75	2.3	12.4
Jan. July	Berjuntai SM1	200xd	3.1	‡Q60c	ϕ	—
Feb. Oct.	Geevor	485	5.9	†18.15	3.4	5.8
—	Gold & Base 12½p	10	1074	—	—	—
July Dec.	Gopeng Cons.	255	31.10	13.2	1.9	7.8
—	Hongkong	130	1167	—	—	—
Mar. Sept.	Idris 10p	93	25.7	9.14	1.0	14.9
—	Jantar 12½p	10	467	—	ϕ	—
—	Kamunting SM0.50	68	14.3	ZQ15.5c	0.7	5.7
Jan. July	Killinghall	450	12.12	Q125	ϕ	11.1
—	Malay Dredging SM1	290	12.12	Q95.5c	ϕ	8.2
—	♠Pahang	44	9.75	†Q2.5	0.5	5.7
July Jan.	Pengkalen 10p	58	14.11	5.58	1.3	14.6
Jun. Nov.	Petaling SM1	180	12.12	m012½c	10.9	1.7
Mar. Oct.	Saint Piran	58xd	3.1	g1.99	ϕ	5.2
—	South Crofty 10p	58xd	3.1	b4.12	1.5	10.3
Jan. July	South Kinta SM0.50	145xd	3.1	†Q77.5c	1.4	13.3
June Jan.	Sthn Malayan SM1	245xd	3.1	‡Q131.3c	1.1	13.3
—	Sungei Besi SM1	134	—	—	—	—
—	Supreme Corp. SM1	55	974	ZQ10	—	4.5
Mar. Aug.	Tanjong 15p	100	25.7	[illegible]	ϕ	9.9
Sept. Mar.	Tongkah Hrbr. SM1	78	12.12	[illegible]	1.6	5.4
Apr. Oct.	Tronoh SM1	150	5.9	ZQ30c	2.0	5.0

COPPER

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
June Dec.	Messina R0.50	88	12.12	Q30c	1.9	22.8

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	Burma Mines 17½p.	9	575	—	—	—
—	Colby Mines $C1	73	—	—	—	—
Aug. Feb.	Cons. Murch. 10c	235xd	3.1	Q30c	ϕ	‡
—	Northgate C$1	250	377	—	—	—
Jan. June	R.T.Z.	180	31.10	t8.5	q3.1	7.2
—	Sabina Inds. C$1	34	—	—	—	—
—	Tara Explm. $1	818	—	—	—	—
Nov. July	Tehidy Minerals 10p	45	17.10	1.21	2.5	4.1
October	Yukon Cons. C$1	127	15.9	Q7c	ϕ	3.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ♠ Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ǁ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 21

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+or-
Albany Inv. 20p	23	......
Ash Spinning	41	......
Bertam	19	......
Bdg'wtr. Est. 50p	282	......
Clover Croft	23	......
Craig & Rose £1	380	......
Dyson (R.A.)	35	......
Ellis & McHdy	66	......
Evans Fr'k. 10p	27	......
Evered	17	......
Fife Forge	47	......
Finlay Pkg. 5p	20½	+1
Graig Ship. £1	240	......
Higsons Brew	142	......
I.O.M. Stm. £1	132	......
Holt (Jos.) 25p	237	......
N'thn. Goldsmith	45	−1
Pearce (C. H.)	122	......
Peel Mills	17	......
Sheffield Brick	48	......
Sheff Refrshmt.	50	......
Shiloh Spinn	20	......
Sindall (Wm.)	85	......

IRISH

Stock	Price	+or-
Conv. 9% '80/82.	£98½	......
Alliance Gas	70	......
Arnott	315	......
Carroll (P.J.)	113xd	......
Clondalkin	85	......
Concrete Prods.	125	......
Heiton (Hldgs.)	51	+1
Ins. Corp.	175	+15
Irish Ropes	108xc	+3
Jacob	62	+2
Sunbeam	25	−2
T.M.G.	165	−5
Unidare	75	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	25	Tube Invest.	30
A.P. Cement	18	"Imps"	7	Unilever	40
B.S.R.	11	I.C.L.	20	Utd. Drapery	7½
Babcock	10	Inveresk	7	Vickers	15
Barclays Bank	25	KCA	5	Woolworths	6
Beecham	38	Ladbroke	17	**Property**	
Boots Drug	15	Legal & Gen.	14	Brit. Land	3¾
Bowaters	16	Lex Service	6	Cap. Counties	5
B.A.T.	24	Lloyds Bank	22	E.P.	5
British Oxygen	6	"Lofs"	5	Intereuropean	5
Brown (J.)	20	London Brick	5	Land Secs.	18
Burton 'A'	9	Lonrho	7	MEPC	12½
Cadburys	5	Lucas Inds.	25	Peachey	10
Courtaulds	10	Lyons (J.)	13	Samuel Props.	10
Debenhams	10	"Mams"	7	Town & City	2
Distillers	13	Mrks. & Spncr	13	**Oils**	
Dunlop	8½	Midland Bank	25	Brit. Petroleum	45
Eagle Star	11	Nat. West Bank	22	Burmah Oil	7
E.M.I.	18	Do. Warrants	10	Charterhall	3½
Gen. Accident	17	P & O Dfd.	12	Shell	28
Gen. Electric	16	Plessey	9	Ultramar	22
Glaxo	40	R.H.M.	5	**Mines**	
Grand Met.	9	Rank Org. 'A'	18	Charter Cons.	12
G.U.S. 'A'	28	Reed Intl.	18	Cons. Gold	28
Guardian	28	Reyrolle	20	Rio T. Zinc	16
G.K.N.	22	Spillers	4		
Hawker Sidd.	60	Tesco	4		
House of Fraser	12	Thorn 'A'	22		
		Trust Houses	13		

FINANCIAL TIMES
Monday January 16 1978

Italian Premier resigns to-day

By Dominick J. Coyle

ROME, Jan. 15.

SIG. ANDREOTTI, the Italian Prime Minister, will submit the resignation of his minority Christian Democrat Government to President Giovanni Leone to-morrow morning after a brief Cabinet meeting, thus ending the life of the country's 39th administration since the collapse of Fascism in 1943.

The demise of the 18-month-old Andreotti Government comes after a public ultimatum from the Communist Party that it should be included in a new emergency administration.

This demand has been rejected firmly by the Christian Democrat leadership, which won the support of many of the party's younger deputies, who were elected to Parliament for the first time in the inconclusive general election in June last year.

After the customary three days allowed for consultations with the various party leaders, President Leone is expected to ask one of the top Christian Democrat leaders to try to form a new administration. It is more than likely that the choice will again be Sig. Andreotti.

Sig. Andreotti is said to be willing to try to reach an accommodation with the Communists, the second largest party in Parliament after the Christian Democrats, but this would be some considerable way short of admitting a Communist representative into the Cabinet.

Formula

It could, however, involve an all-party agreement on economic and social policies to be advanced by a new administration.

The Communist Party, having stuck rigidly in public in recent weeks to its demand for inclusion in an emergency Government, is showing signs of backing off.

Meanwhile, the authorities here are understandably apprehensive about the implications of a protracted political crisis on the lira.

Italy reported at the weekend a 1977 balance of payments surplus—the first since 1971—of $2.3bn. against a deficit the previous year of $1.2bn.

This compares with the undertaking by Italy to the International Monetary Fund last April to aim at a 1977 payments deficit of no more than $570m.

Choice remains open on £20bn. reactors

BY DAVID FISHLOCK, SCIENCE EDITOR

A SECOND WEEK of talks between Mr. Anthony Wedgwood Benn, Secretary for Energy, and nuclear industry chiefs, including Westinghouse executives, starts with the Government's choice of reactors, for orders worth an estimated £20bn. over the next 20 years, still wide open.

The meetings are being held at the Cabinet's request to Mr. Benn for more information after its failure to agree on reactor choice just before Christmas.

The electricity supply industry strongly denies reports that it has dropped or modified its request for a firm commitment from the Government to the U.S.-designed pressurised-water reactor.

The industry believes that at his Press conference on Thursday, part-way through his series of nuclear meetings, Mr. Benn himself indicated an important shift from implacable opposition to the pressurised-water reactor request by acquiescing in further design and safety studies.

The Central Electricity Generating Board is still unambiguously asking the Government for endorsement of a nuclear strategy including building both an advanced gas-cooled reactor station and pressurise-water station.

This strategy, which sees the pressurised-water reactor as "insurance" against further gas-cooled problems, has the support of the Electricity Council and the South of Scotland Electricity Board.

The Central Board outlined this strategy in two letters to Mr. Benn late last year, and has not changed its position, it indicated yesterday.

Building gap

For the pressurised-water reactor it wants a firm commitment from the Government that will allow it to obtain a sites licence and safety approval, and then be able to place an order for a 1,300 MW station (not earlier than 1982."

Mr. Benn has been stressing that the nuclear design and construction industry, weakened by long building delays and absence of a new order since 1971, has not the resources to take on the pressurised-water as well as a redesigned advanced gas-cooled reactor and a demonstration fast-breeder reactor.

He was dismissive last week of Rolls-Royce's offer, made first to the Prime Minister at Derby before Christmas, to put its experience of building 16 successful pressurised-water reactors for the Navy at the nuclear industry's disposal.

This was apparently because Rolls-Royce makes only about 3 per cent. of these reactors itself, sub-contracting the rest.

The view of the electricity supply industry is that the worrying resource limitation in the nuclear industry is not manufacturing capacity, but experienced and forceful project management.

It believes Rolls-Royce experience in pressurised-water project management would be valuable, and that the company has successfully "anglicised" the naval Westinghouse reactor.

Rolls-Royce's proposal is that it works with GEC on the pressurised-water contract for the generating Board.

Electricity chiefs have also suggested to Mr. Benn that if both types of reactor are pursued, experienced managers who have left the industry will be encouraged to return by only one type.

Westinghouse Electric executives are likely to press their case with Mr. Benn this week that if the National Nuclear Corporation's licence agreement with their company is "activated" by a firm commitment, they will also provide Britain with both managerial and technical resources for the project.

Distillers faces new threat over sales decision

By Guy de Jonquieres, Common Market Correspondent

BRUSSELS, Jan 15.

THE DISTILLERS Company's system of using exclusive national distributors to market Johnnie Walker Red Label and Dimple Haig Whisky in EEC countries could be threatened if it goes ahead with its decision to halt sales of the brands in Britain, says lawyers in the European Commission.

The Commission has warned Distillers that its controversial response to the recent EEC order prohibiting its dual pricing practices could expose the company to further legal action for breach of the Community's rules of competition.

The use of a single distributor in each country is technically a restriction of trade under Article 85 of the Rome Treaty.

But it is permitted under a special waiver, provided that the products in question can also be bought freely in the country of origin and exported to the markets served by the exclusive distributors.

In the case of Distillers, Commission officials say that the withdrawal of Johnnie Walker and Dimple from the domestic market would make such "parallel exports" impossible and thus deprive the company of the legal basis for restricting sales of the brands in the rest of the EEC to exclusive distributors.

The Commission is studying the case. Apparently it has yet to decide whether to take further action.

Lawyers in Brussels say that any rival distributor in other EEC countries would be entitled to challenge the exclusive rights enjoyed by Distillers' distributors in a national court when the two brands had been removed from sale in the U.K.

A verdict against Distillers would strike an important blow at its overseas marketing strategy because it would be likely to expose its existing EEC distributors to sharper competition which would reduce their margins.

Popular

Distillers said that its exclusive distributors needed to maintain their margins to be able to afford the cost of heavy promotion schemes in difficult Continental markets.

Promotion costs worked out at about £5 a 12-bottle case of whisky.

It had decided to withdraw Johnnie Walker and Dimple from the U.K. market and to raise the prices of its other brands by up to 50p a bottle in Britain because it wanted to prevent its Continental distributors from being undercut by cut-price parallel exports made directly from Britain.

A Distillers' executive said that the company might be forced to withdraw other popular brands of Scotch from sale in the U.K. if the Price Commission refused its request for price rises.

The EEC Commission has said that it is examining the case to determine whether the decision to withdraw certain brands of whisky from the British market constitutes a "refusal to sell," which is specifically outlawed under Article-86 of the Treaty.

It is far from convinced by Distillers' explanation of the commercial logic underlying the brand withdrawals and price rises for whisky.

It is pointed out in Brussels that the company has reduced the Continental prices for other spirits such as gin and vodka.

THE LEX COLUMN

The battle for the small depositor

Last week's announcement that the second largest bank in South Africa, the Standard Bank, had negotiated a "close business relationship" with the country's eighth largest building society (it is to be renamed the Standard Building Society) is of more than passing interest. The South African financial system is almost an exact replica of the U.K. system (it even has discount houses) and this experiment is going to be closely watched. Already at least one U.K. clearing bank has been investigating the possibility of establishing a building society.

Competition

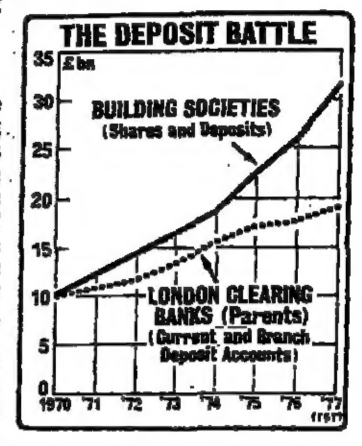
One can understand why. The growth of the U.K. building societies over the past few years has been spectacular and the clearing banks have been the principal losers. At the end of the war building societies were only one-sixth of the size of the banks in terms of deposits. By 1970 they were level pegging, holding funds of about £10bn. apiece. Since then they have completely overtaken the banks and to-day boast sterling funds of well over £30bn. against the clearers' £27bn. (some £9bn. of which is wholesale money). In terms of assets the Halifax Building Society is now the same size as Lloyds's parent clearing bank and three times the size of Williams and Glyn's.

Since 1970 the number of bank branches has been cut by around 500 to under 12,000 while the building societies branch network has roughly doubled to 4,000 odd branches. This sort of growth rate cannot continue for much longer without imposing serious strains on the existing financial structure.

A number of problems are already starting to appear. Aside from siphoning off deposits from the banks, building societies are beginning to behave more like banks and instead of merely reacting to money market rates they are now influencing them and, incidentally, the money supply. A good case could now be argued for making them subject to the same monetary controls as the banks. It will also be interesting to see whether the Government includes them in the proposed protection of depositors legislation.

The banks' main complaint is that the societies' favourable tax treatment gives them a competitive edge of around 1 per cent. gross on their deposit rates. But even if this was abolished the banks would not be competitive since they have to support a costly mony transmission service, unlike the building socities. Consequently the banks have to explore other ways of combatting the building societies' challenge.

One possible solution is for the banks to set up building societies themselves. Theoretically, there is nothing to stop them doing so at the moment (the Target Trust group, for example, set up the Target Building Society in 1971). Such a move would enable a bank to provide longterm housing finance to its customers and help it tap the "unbanked" section of the community. Whether the authorities would countenance such a move is another matter, and from a bank's point of view the fact that building societies are non-profit making is one obvious disadvantage. However, if the building societies continue to grow at their current rate it will not be long before they encroach still further on the banks' traditional territory, and the pressure is on the banks to meet this challenge.



Ariel

Ariel's little life is rounded with a sleep. It is almost four years since the computerised system that allows investing institutions to deal directly one with another carried out its first trade. To-day its early impetus has vanished. A combination of institutional reluctance to change, reduced com[mission] rates, Bank of Englan[d] straints, and lack of [...] muscle have left Ari[el] show.

Ariel to-day makes its o[...] the Accepting Houses, [...] profit and has saved [...] scribers some £2m. in [...] sions during its four yea[rs] i. has not proved the cha[...] to the Stock Exchange [...] once made out to be.

Although institutions a[re] responsible for half o[f] City's trading in equities, [it] has captured only 1 per c[ent.] of this business, or 2 per ce[nt. of] institutional trades. It [was] originally envisaged that [it] would raise its institu[tional] share to 5 per cent. in five [years]. The number of subscrib[ers] now down to 46 from a hi[gh of] 67.

Ariel has found little ro[om in] which to fly. Early visions [of ex]pansion into Europe met [with] indifference at the big [banks] which control European s[ecuri]ties trading. Two years [ago] there were discussions aim[ed at] linking Ariel with its New [York] equivalent, Instinet. Bu[t] British institutions prefer [to] use New York brokers, be[cause] they have a real need for A[meri]can research.

At home, the Bank of [Eng]land prevented Ariel [from] trading gilts. There [were] various moves to forge a [link] between Ariel and the [Stock] Exchange, either by an out[right] takeover or by plugging jobbers into the Ariel comp[uter] but the Exchange lost int[erest] last summer. For the mo[ment] the Exchange sees inform[ation] systems as the right area [for] computers, but if and when [the] jobber is declared obsolete [the] Exchange's own system of [com]puter trading will [...] emerge.

In the meantime both th[e Ex]change and Ariel stand in [...] fear of the threat of negot[iated] commission rates, for the [...] rate system is the umb[rella] under which Ariel operates. [In]deed Ariel's finest mo[ment] may well have been befor[e its] birth, when, in 1973, it prom[pted] the Exchange to cut comm[ission] rates substantially. Othe[r] cuts have followed, and it [is a] fair guess that with this pa[rt of] its mission accomplished [...] will be allowed to fade g[race]fully away.

Britain may be offered bigger fishing quota

BY RICHARD MOONEY

BRITAIN is likely to be offered a substantially improved share of Common Market fish resources at talks on the EEC's Common Fisheries Policy which resume in Brussels to-day.

The Common Market Commission is expected to propose a British quota of about 800,000 tonnes within the EEC "fish pond" plus 70,000 tonnes of fish from non-Community country waters—mainly Norway. This compares with the Commission's most recent proposals for a 529,833 tonnes British quota.

In Brussels, Commission sources said yesterday it was also proposed to allot Britain a catch of 130,000 tonnes of non-quota fish such as horse mackerel and sand eel rather than "prime" fish such as cod and mackerel. This would bring the U.K. total to 1m. tonnes, or 35 per cent. of the overall EEC catch.

When the present round of talks was adjourned last month Mr. John Silkin, the U.K. Fisheries Minister, was seeking a British allotment of 962,000 tonnes of quota fish—a figure other EEC Ministers described as "astronomical."

U.K. fishermen thought it was pitched too low. They pointed out that it represented less than a third of the 3m. tonnes of fish scientists estimate the EEC pond could yield annually, while the U.K. was contributing more than 60 per cent. to the pond.

Last year British fishermen caught 900,000 tonnes of fish. This represented a substantial cut—due mainly to declining stocks—from the 1.1m. tonnes a year being caught early this decade.

The U.K. fishing industry is not concerned purely with numbers on this question, however. It is anxious that the EEC should break away from the quota approach to fisheries management which it blames for the parlous state of European fish stock.

In the new world of 200 mile limits it wants control of fishing effort to become the responsibility of individual EEC coastal nations, with exclusive fishing zones imposed up to 50 miles offshore.

Limitation

Mr. Silkin's approach is different. He wants 12-mile exclusive zones, with a "dominant preference" area for the coastal state between 12 miles and 50 miles. He says this would offer most of the advantages of exclusive zones, without requiring other EEC members to forego their traditional fishing rights in British waters.

Control would still be in the hands of the coastal state. In the British case this would mean a system of effort limitations through the licensing of individual vessels. Mr. Silkin says he shares the British industry's dislike of quotas.

British fishermen distrust the dominant preference concept. "It can be made to mean whatever one wants it to mean," a British Fishing Federation official said.

Neither did the industry share Mr. Silkin's view that significant progress had been made on other conservation questions such as net mesh sizes and the limitation of industrial fishmeal fishing.

"The Continentals are merely paying lip service to the need for conservation," the official said.

The industry's main fear is that Mr. Silkin's desire to end this protracted dispute will overcome his determination to secure a fair deal for British fishermen. A quick deal which merely papers over the cracks in the Common Fisheries Policy is the last thing the industry wants.

The Liberals yesterday exerted further political pressure on Mr. Silkin to secure a 50-mile limit.

Mr. Alan Beith, the party's Chief Whip, said in a telegram to Mr. Silkin: "Liberals back 50-mile limit in order to give absolute priority within 50 miles to British fishermen, to reserve inshore waters and to ensure conservation.

"It is essential that any settlement meets these needs and does not rely on quotas alone for control otherwise it would be better to reach no deal at this stage."

Money supply faces scrutiny

By Michael Blanden

THE STOCK MARKET this week will look closely at the money supply figures due to be published by the Bank of England on Thursday, after the disturbing but unusually confused pointers given by last week's banking statistics.

These came as a shock, indicating a money supply growth rather higher than the markets had hoped for in a month when gilt-edged sales were high. The banking system's eligible liabilities, which normally provide some guide to the money stock, showed a jump of 1.6 per cent. in the month to mid-December.

This seemed to indicate that the growth rate of the sterling money stock on the wider definition (M3) over the eight months to December might still have been running at, or slightly above, the top end of the official target range of 9-13 per cent. for the financial year.

One immediate worry, that this reflected a sharp jump in the Government's borrowing requirement, was relieved when official figures later showed that the central government's borrowing requirement last month has dropped to £785m. from £1.07bn. in November.

This again confirmed that borrowing needs have been well below the levels recorded at this stage last year, and indicated that the requirement for the public sector as a whole could fall substantially below the recently revised forecast of £7.5bn. for the year.

Adjustments

There will therefore be considerable interest in the outcome of the money supply for the month, after the seasonal and other adjustments have been applied, and in any official guidance on the reasons for the movements.

Seasonal factors could also be an important element in the external trade figures due to be published to-day. These will be examined to see if the improving trend in the current account surplus has continued.

A slight question-mark is raised, however, over whether there might again be a freakish movement in the figures—as there was last year—because of the difficulties of adjusting for the effects of the Christmas holidays.

Callaghan rejects possibility of spring general election

BY RICHARD EVANS, LOBBY EDITOR

THE PRIME MINISTER has dismissed any prospect of a general election this spring and will decide towards the end of the summer whether he should go to the polls in October or hold on until next year.

Mr. Callaghan's decision is based partly on his assessment that he will be safe, in Parliamentary terms, for the remainder of this session, no matter what is decided at Saturday's special Liberal Assembly on the future of the Lib-Lab pact.

In addition, he believes that the rate of inflation will not be a factor in forcing him to hold an early poll. He dismisses the theory that inflation will, after having fallen to single figures in the spring, quickly start to rise again and thus damage Labour's electoral prospects in a late-1978 election.

Mr. Callaghan's own forecast is that if inflation rises at all in the summer it will do so only marginally, and will not be electorally significant.

He has also decided against changing his ministerial team in any significant way before the next election on the grounds that the present Cabinet is working well together and Ministers should see their policies, reach fruition as the economy improves. This applies in particular to Mr. Denis Healey, Chancellor, who would be loath to leave the Treasury until he has gained political benefits from economic success.

The chances of the Lib-Lab pact continuing until the summer received a boost at the week-end when the autonomous Scottish Liberal Party approved a resolution expressing confidence in Mr. Steel's leadership and in the maintenance of the pact until Liberal MPs consider it unnecessary.

News that there will be no general election before the autumn at the earliest will come as a relief to many Labour Left-wingers who have been counselling delay, but as something of a disappointment to some members of the Cabinet who have been urging Mr. Callaghan to take maximum advantage of single figure inflation in the spring and a generous give-away Budget by going to the country in May or June.

Some Ministers still fear that Labour could have missed its opportunity by the autumn, should inflation rise in the late summer and should wages policy fail to hold.

Pointers

Although Mr. Callaghan has yet to make up his mind between this autumn and next year, there are a number of pointers that strongly favour October, 1978.

First, by far the major part of the last Labour manifesto will by then be on the statute book, including the devolution legislation for Scotland which party tacticians regard as essential to Labour's electoral fortunes.

Second, Labour's parliamentary position next session is likely to be far more precarious than this, as the Liberals are regarded as certain to ease out of their pact with the Government in July soon after the Finance Bill becomes law. Mr. Steel will be unable to offer an unqualified promise of support beyond then.

With the devolution Bills on the Statute Book, nationalist MPs will have little reason for coming to the Government's support on a vote of confidence.

In addition, the Speaker's Conference on electoral law, which is expected to recommend increased representation from Northern Ireland at Westminster, will have reported so there will be less reason for Ulster Unionist MPs to maintain Labour in office.

Finally, an October election would mean cancellation of this year's Labour Party conference when Left-wingers would be seeking to include in the party's manifesto some policies unacceptable to Mr. Callaghan.

Scottish Liberal vote, Page 5

P & O doubles its cruises to Shetland

P. & O. Ferries is doubling the number of its mini-cruises to the Shetland Isles which were introduced in 1972. Since then, there has been one three-day cruise a week.

Now there will be sailings on Mondays and Thursdays from Aberdeen

Continued from Page 1

Middle East talks

lieve that Mr. Sadat is willing to go even closer to the brink of breakdown if the Israelis do not show more flexibility in the next few days, even to the extent of ordering his negotiating team to return home.

It is also understood that Egypt is not contemplating another round of talks by the joint military committee that met in Cairo last week until Israel's intentions become clear. The military committee discussed the issue of Jewish settlements in Israeli-occupied Egyptian territory together with military withdrawal and future arrangements for Sinai.

Jurek Martin writes from Washington: The U.S. announcement late on Saturday night that Mr. Vance was postponing his trip to Jerusalem was clearly a ploy designed to get Israel and Egypt to resolve their differences over the agenda.

State Department officials made clear that Mr. Vance wanted to go to Jerusalem to get involved in substantive negotiations, but not to find himself embroiled in haggling over the agenda.

Thus, within an hour or so of the Israeli announcement that the meeting would proceed, the State Department promptly announced that Mr. Vance would leave Washington to-night.

It is felt in Washington that there is substantial agreement on the need for a statement of principles for a peace settlement which would have the effect of deferring until much later final resolution of the Palestinian problem,

Weather

U.K. TO-DAY

CLOUDY with rain.

London, S.E., E., Cent. S. and N. Midlands, Channel Isles and E. Anglia

Cloudy, occasional rain. Wind moderate becoming variable. Max. 4C (39F).

S.W. and N.W. England, S. and N. Wales, Lakes

Cloudy, some rain and snow. Wind variable. Max. 5-6C (41-43F).

Isle of Man, Borders, S.W. and N.E. Scotland, Highlands, N. Ireland

Cloudy, occasional rain, becoming brighter with wintry showers. Wind moderate. Max. 4C (39F).

N.E. England

Cloudy, rain and some snow. Wind variable, moderate. Max. 4C (39F).

N.W. Scotland,

Sunny intervals, wintry showers, locally heavy. Wind moderate to strong. Max. 4C (39F).

Outlook: Wintry showers

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amstdm.	F	14	37	Luxemb'g	C	1	34
Athens	F	14	57	Madrid	C	1	34
Bahrain	S	20	68	Manchstr.	C	5	41
Barcelona	C	9	48	Melbourne	C	33	91
Beirut	S	15	59	Milan	C	8	46
Belfast	C	4	39	Montreal	C	−13	9
Belgrade	Fg	1	34	Moscow	F	−12	10
Berlin	S	3	37	Munich	C	0	32
Brmghm.	Dr	4	39	Newcastle	C	0	32
Bristol	Dr	4	39	New York	C	−6	21
Brussels	C	3	37	Oslo	C	−4	25
Budapest	S	4	39	Paris	C	3	37
B. Aires	S	28	82	Perth	C	32	90
Cairo	S	18	65	Prague	C	0	32
Cardiff	C	5	41	Reykjavik	Sn	−3	27
Chicago	C	−9	16	Rio de J'o	S	35	95
Cologne	S	4	39	Rome	F	11	52
Copnhagn.	C	1	34	Singapore	S	30	67
Dublin	C	3	37	Stockholm	C	−2	28
Edinburgh	C	4	39	Strasbrg.	C	4	39
Frankfurt	F	4	39	Sydney	S	37	99
Geneva	C	2	36	Tehran	S	4	40
Glasgow	C	5	41	Tel Aviv	S	16	61
Helsinki	C	0	32	Tokyo	C	12	54
H. Kong	C	20	68	Toronto	S	−15	5
Jo'burg	S	26	80	Vienna	C	2	36
Lisbon	F	6	43	Warsaw	Fg	−2	28
London	C	5	41	Zurich	C	1	34

HOLIDAY RESORTS

Ajaccio	C	11	52	Jersey	C	5	41
Algiers	S	14	57	Las Plms.	C	17	63
Biarritz	C	3	37	Locarno	R	3	37
Blackpool	C	4	39	Majorca	C	9	48
Bordeaux	C	3	37	Malaga	S	11	52
Boulogne	C	3	37	Malta	F	15	59
Casablnca.	C	14	57	Nairobi	S	23	73
Cape Town	C	22	72	Naples	F	12	54
Corfu	C	16	61	Nassau	S	17	63
Dubrovnik	C	15	59	Nice	R	10	50
Faro	S	13	55	Oporto	F	8	46
Florence	F	11	52	Rhodes	C	16	61
Funchal	F	15	59	Salzburg	S	4	39
Gibraltar	S	12	54	Tangier	C	10	50
Guernsey	C	6	43	Tenerife	C	10	50
Innsbruck	C	−1	30	Tunis	S	12	54
Isle of Man	C	5	41	Valencia	F	8	46
Istanbul	C	5	41	Venice	R	7	45

S—Sunny. F—Fair. R—Rain. Dr—Drizzle. Fg—Fog. Sn—Snow. C—Cloudy.

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London EC4P 4BY.
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هكذا من الاصل